

# M I L W A U K E E C O U N T Y



**Chris Abele**, *County Executive*

## 2019 RECOMMENDED OPERATING BUDGET



GOVERNMENT FINANCE OFFICERS ASSOCIATION

***Distinguished  
Budget Presentation  
Award***

PRESENTED TO

**Milwaukee County**

**Wisconsin**

For the Fiscal Year Beginning

**January 1, 2018**

*Christopher P. Morill*

Executive Director

Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **Milwaukee County, Wisconsin**, for its Annual Budget for the fiscal year beginning **January 1, 2018**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



## Introduction

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Budget Message  
of the County Executive  
(Recommended Phase)

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County Board of Supervisors

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OFFICE OF THE COUNTY EXECUTIVE

# CHRIS ABELE

MILWAUKEE COUNTY EXECUTIVE

October 1, 2018

**When I was elected seven years ago**, Milwaukee County's fiscal situation was daunting. Each year I've been faced with a budget gap to fill, sometimes as deep as \$50 million. Despite seemingly unbeatable odds, over the past seven years our incredible team has chipped away at the County's structural deficit and made the community stronger.

We've restructured our pension and benefits obligations while maintaining critical commitments to our retirees. We've reduced our spending on energy by more than \$4 million and moved out of more than 1 million square feet of underutilized office space. We've held regular cash bus fares steady for eight years in a row. We've transformed the institutionalized mental health system into a network of recovery-focused, community-based care options. We've made the most of every penny so that we can maintain the essential services that improve quality of life for our residents. We've been able to make Milwaukee County the best it can be.

This year our budget process has been more collaborative than ever. We can be so much better if we work together.

From the beginning of our budget process, the County Board's Finance and Audit Committee Chair Jim Luigi Schmitt, independently elected Comptroller Scott Manske, and Director of the Office on African American Affairs Nicole Brookshire have been in the room. Over the last six months, we looked at the same numbers and agreed on the gap we had to fill. For 2019, we faced a \$23.5 million budget shortfall. But we evaluated the options together with open and honest dialogue, and this budget is better for it.

We don't always agree, but we know we all have the best interest of our friends and neighbors in the community in mind. And I am grateful to County Board Chairman Theodore Lipscomb Sr. for his support as we work toward a better Milwaukee County.

**Yet there is one thing we all agree on: We must work with the State of Wisconsin to get a better deal for Milwaukee County.**

Our deficit continues to widen in large part because the revenue we send to the State does not match the revenue we get back. Dollars that Milwaukee County residents and businesses paid to the State have risen by over \$400 million, or 19 percent between 2009 and 2015 (the most recent years available from Wisconsin Department of Revenue reports). At the same time, revenue that the State has shared back with Milwaukee County—the economic engine of the state—has been essentially flat. Moreover, our options to raise revenue locally are strictly limited by State statute.

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Empowering People | Strengthening Community

As a result of this imbalance, County departments have had to reduce their budgets each year for the past seven years. This year we asked our departments to make a 1.1 percent cut to the tax levy they received in 2018 and absorb the inflationary cost to continue. That resulted in an almost \$14 million budget reduction. Large-scale closures and service disruptions have been avoided through the years, but each year we have a little less to work with. Residents may not always notice, but the grass at our parks gets a little longer. The pipes in our buildings get a little leakier. Caseloads for our direct-service staff get a little larger. We lose our best and brightest to the higher-paying jobs that come with a good economy. The changes happen gradually, but they are there. And it's a trend we need to turn around.

Nevertheless, this budget once again invests in my top priorities. In 2019 we'll be creating an action plan to promote racial equity across the County, building on our tremendous efforts to end and prevent chronic homelessness, and continuing our ongoing work to bring our young people home from State-run prisons at Lincoln Hills and Copper Lake. We'll emphasize high-quality, high-frequency transit. And we'll keep our commitment to retirees while investing substantially more than recent budgets to compensate our current employees for the incredible work they do.

We've made extraordinary progress despite the fact that we've faced a cumulative deficit of almost \$245 million over the past seven years. I attribute the success of our efforts directly to our committed team of leaders, mission-driven staff and dedicated community partners. If we can do all of this despite the deficit, just imagine what we could do with more resources.

It's time for all of us to refocus on a more sustainable funding solution for Milwaukee County. I'm calling on residents, business and social sector leaders, and elected officials to help us work toward a better deal for our community.

When Milwaukee County is better, the State of Wisconsin is better. And the 2019 budget positions us better than ever before to unite for a stronger, better Milwaukee County.



Chris Abele





2019:

# BUILDING A BETTER

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**A**s the County catches up on decades of shortsighted decision-making, officials find themselves with tremendous budget gaps to fill. Over time, providing the same level of service costs more due to inflation, the County's pension and healthcare obligations take up a growing share of the tax levy, and deferred maintenance mounts on key County assets like the Domes and Criminal Courthouse. Meanwhile, revenues from the state remain flat, and state-imposed caps severely limit options to raise revenue locally.

Over the past seven years, Milwaukee County has made immense progress toward creating reforms, finding efficiencies and curbing spending.

Nevertheless, the 2019 budget process began with a \$23.5 million deficit. But the budget process also began with a renewed sense of collaboration.

More than ever before, this budget was informed with intentional, proactive dialogue with both the County Board and the community. This spring, the Board's Finance and Audit Committee Chair, the independently elected Comptroller, the Director for the Office on African American

Affairs, and the County Executive began the budget process by sitting down and looking at the numbers together. They agreed on the gap they had to fill and evaluated the options with open and honest dialogue.

Also for the first time, the County Executive and members of the County Board partnered to co-host budget open houses for the public. Five sessions held throughout the County provided community members the opportunity to talk directly with elected officials and department heads, ask questions and share their priorities.

For the second year, the County Executive's Office gathered public input through an interactive online tool called Balancing Act, which allows residents to design and share their own County budget. Over 650 budgets were submitted, more than doubling last year's participation. When faced with the same \$23.5 million gap, respondents had to make hard choices just like County leaders. On average, respondents prioritized funding for critical state-mandated County services such as public safety, highways, and health and human needs. Of the non-state mandated services that enhance quality of life for our community, residents mostly chose to preserve parks, paratransit and fixed-route transit funding.

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Overall, respondents favored increasing revenues from property taxes and vehicle registration fees in order to avoid making even deeper cuts to County services. But as Balancing Act users discovered, counties throughout Wisconsin are quite limited when it comes to raising revenue.

The vehicle registration fee is one of the few options that the County has left to expand revenue without legislative change. However, the vehicle registration fee increase proposed last year was shown to be undesirable, and the County had to make cuts in 2018 as a result. No vehicle registration fee increase is included in the 2019 recommended budget, and further cuts have been made to accommodate.

Consequently, departments were asked to absorb their inflationary increases and make additional cuts to reduce their tax levy funding by 1.1 percent. These measures resulted in budget reductions of nearly \$14 million. Some efficiencies were found, such as redirecting funds from underutilized programs, breaking out contracts for more competitive options, and eliminating vacant positions. But this is the eighth year we've asked departments to reduce spending, operate more efficiently and become leaner. Departments have done a remarkable job providing services to the community with less resources and fewer staff. And cuts to services have been largely avoided this year.

Small cuts from year to year may not be noticeable, but they become painful when taken in sum—and they have real impact on the quality of life for Milwaukee County residents. The manifestations of this annual pattern are becoming more noticeable: mowing and other maintenance in parks is less frequent; wait times for seniors to be connected to services grow; time to hire for vacant positions increases



***County expenditures will grow on average 2.3 percent each year while revenues will grow on average only 0.9 percent.***

and leads to rising overtime costs. The list goes on and on.

The real issue is that Milwaukee County taxpayers send more to the State of Wisconsin each year than is received back. Dollars that Milwaukee County residents and businesses paid to the State in the form of various taxes have risen by over \$400 million, or 19 percent between 2009 and 2015, the most recent data available from Wisconsin Department of Revenue reports. At the same time, revenue that the State has shared back with Milwaukee County—the economic engine of the state—has been essentially flat.

Stated otherwise, flat and capped revenue with increasing costs leads to a bad situation.

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## 2018 Balancing Act Budget Exercise



**653 submissions in 2018, a 250% increase over 2017.**

- 93% Milwaukee County residents.
- 38% from City of Milwaukee.
- 53% representation of all Milwaukee County Zip codes.

### Top Mandated Priorities\*

- Public Safety **99.8%**
- Transportation (Highways) **99.8%**
- Health & Human Services **99.1%**

### Top Non-mandated Priorities\*

- Parks Maintenance **100.6%**
- Transportation- Paratransit **97.8%**
- Transportation-Fixed Route **97.2%**

*\* Priorities determined based on the level of funding respondents chose to retain for each service area.*



*Racial equity is both an outcome and a process.* As an outcome, we achieve racial equity when race no longer determines one's socioeconomic outcomes; when everyone has what they need to thrive, no matter where they live. As a process, we apply racial equity when those most impacted by structural racial inequity are meaningfully involved in the creation and implementation of the institutional policies and practices that impact their lives.

## CENTER FOR SOCIAL INCLUSION

One thing is clear: Milwaukee County is running out of revenue options. Without a significant change in public policy at the state level, the County will be unable to maintain existing programs and services.

The only way to get a better deal for Milwaukee County is to put aside what has divided us in the past and work with the State of Wisconsin for a better solution for our region and for our state. When Milwaukee thrives, Wisconsin thrives. Looking ahead to 2019, this will be our top priority.

Below is a summary of how the 2019 budget, once again, absorbs large cost increases while largely preserving the services people rely on. This budget also demonstrates our ability to provide top-notch services to our community by working smarter with an eye toward equity and excellence.

### Promoting Racial Equity & Social Justice

Despite significant budgetary challenges, the County Executive is dedicated to making Milwaukee County a model government in the way it empowers residents and strengthens community. The 2019 budget continues our commitment to fair and equal opportunities for all people of our county to grow and thrive.

### Achieving Equity for All

Achieving racial equity in Milwaukee County is one of the County Executive's top priorities. Since its creation in 2016, the Office on African American Affairs (OAAA) has been a key part of pursuing that goal. OAAA is spearheading the County's efforts to ensure that racial equity is a core principle in all our decisions, policies and functions. In

2019, OAAA will work to train all employees, starting with racial equity training for County leaders and managers. Creating spaces for candid conversations about race and racism will lay the groundwork for the County to address disparities. This year OAAA will also begin working with the Government Alliance on Race and Equity to develop a racial equity action plan for Milwaukee County.

### Bringing Our Youth Home

The year 2018 marks a pivotal shift for youth justice in Wisconsin. With the adoption of Act 185, the Wisconsin State Legislature called for the closure of long-troubled Lincoln Hills and Copper Lake Schools. Several locally-based secured residential centers will be created in place of the State-run youth prisons, and counties will be responsible for operating the new centers. This remarkable change in public policy will allow youth to receive specialized programming in a safe environment—and remain closer to their families.

Although Lincoln Hills and Copper Lake will remain a short-term option for judges to send serious juvenile offenders, all youth will transition out of the facilities by January 1, 2021. The County Executive has long advocated for building local alternatives to the youth prisons, and as a result County leaders are working vigorously to prepare to bring our young people home.

The Department of Health and Human Services has played a lead role in planning efforts for the community facilities, from identifying locations to developing treatment and education plans. Moving forward, the County aims to maximize community engagement throughout the planning process so that the transition promotes public safety and positive youth development. At the same time, the Delinquency and Courts Services Division has been renamed the Division of Youth and

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Family Services to better reflect the vision and goals of the Milwaukee County youth justice system.

### Ending & Preventing Chronic Homelessness

With a significant investment in Housing First—providing permanent housing to those in need so that they can address other challenges in a more stable environment—the Housing Division is on track to end chronic homelessness in Milwaukee County. Over the past three years, the initiative has placed more than 700 people in safe, affordable housing, and reduced the overall rate of homelessness in Milwaukee County by over 40 percent. The County and its partners have achieved an extraordinary milestone, but there's still more work to do. The Housing Division will now turn its focus to individuals and families in need of homeless prevention services. The 2019 budget includes \$200,000 for case management and short-term rental assistance for those struggling to make ends meet. The Behavioral Health Division will support this initiative by continuing its investment of \$1 million to provide housing and mental health services for Milwaukee's homeless population.

### Creating a Community-Based System of Care

The 2019 budget reflects the County's continued commitment to provide mental health care and substance abuse treatment in the community—where individuals are best able to maintain family relationships, connect to resources, and focus on recovery. An additional \$250,000 has been allocated to expand Bridge Housing, a sober living environment for individuals and families working through a substance use disorder. The expansion will add 25 beds and help prepare an estimated 225 individuals for longer-term independent housing in 2019. A new investment of \$500,000 will support the Behavioral Health Division's Outpatient Plus program, which will combine temporary housing with on-site clinical care for those who need it most. Once up and running, the program will serve approximately 130 individuals annually. Recovery Support Coordination will also receive an \$800,000 increase so that services for each consumer can be tailored to address their unique path to

recovery and overall well-being.

### Caring for Our Seniors

With the full-fledged support of the County Executive, Milwaukee County Department on Aging works diligently every day to affirm the dignity and value of older adults in the community. Milwaukee County owns five senior centers where older adults can eat meals together, exercise and participate in various enrichment programs. For 2019, operational funding is about the same as in the 2018 budget, and programming is expected to be maintained at current levels, five days a week. In addition, just over \$701,000 in capital improvements are budgeted for some of the most urgent repairs. Both Washington Park and Wilson Park will receive a new HVAC system, along with other restorations. Unfortunately, like many County facilities, large-scale deferred maintenance issues continue at these buildings. The County will need to seek a sustainable funding and operation models in order to provide the highest quality care for Milwaukee County's growing aging population.

### Reimagining Public Transit

The County Executive is dedicated to providing a best-in-class transit system for the residents of Milwaukee County. Transit is a critical means for our residents to get to jobs, leading to economic mobility and self-sufficiency. This year, the Milwaukee County Transit System (MCTS) will continue its efforts to create faster service with more connections and increased accessibility for Milwaukee County riders. The 2019 capital budget builds on previous years' investments and includes substantial support for Bus Rapid Transit (BRT). BRT has been shown nationally to increase transit use by delivering faster, more frequent service in high demand corridors. In 2019, Milwaukee County will move forward with plans for the East-West BRT route. This 9-mile, modern transit service will connect major employment, education and recreation destinations from downtown Milwaukee to the Milwaukee Regional Medical Center in Wauwatosa. Financing includes \$4.5 million from the Milwaukee Regional Medical Center, \$19.4 million in federal funds,

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**A chronically homeless person** is either (1) an unaccompanied homeless individual with a disabling condition who has been continuously homeless for a year or more, OR (2) an unaccompanied individual with a disabling condition who has had at least four episodes of homelessness in the past three years.

U . S . D E P A R T M E N T O F H O U S I N G & U R B A N D E V E L O P M E N T

and approximately \$7.1 million in County funds. Anticipated work in 2019 includes construction of enhanced bus stations, systems for riders to pay before they board, lane striping and the purchase of diesel-hybrid buses.

Along with BRT, MCTS is exploring several ways to improve transit quality in neighborhoods and commercial areas throughout the County. Currently, only 40 percent of MCTS service is considered high-frequency. The remaining routes involve numerous stops with longer wait times between buses, and a network of transfers that can be confusing to new riders. According to a 2018 MCTS customer satisfaction survey, 90 percent of current riders are willing to transfer to reduce overall travel time, and 59 percent are willing to walk to reduce wait time at a stop. Through the MCTS Next initiative, the County is aiming to provide higher frequency bus routes—arriving every 15 minutes or better—that reduce travel time. MCTS will continue its network analysis in 2019 in order to develop a plan to increase the proportion of high-frequency services. The final plan will be presented to the County Board and County Executive for review and approval.

In the seven years since the County Executive took office, MCTS service has been steadily maintained. At the same time, the County is facing flat transportation aids from the State and limited local revenue options. Nonetheless, for the eighth year in a row cash fares will remain at \$2.25 per ride.

The 5-day pass purchased by Milwaukee Public Schools for students using MCTS on weekdays will increase by \$1, the first inflationary increase since 2010. Both the GO Pass and the New Freedom bus pass are proposed to increase from \$1 to \$2 per day. Even at \$2 per day, both passes provide a significant discount on riding MCTS for our seniors and residents with disabilities. Some riders who do not qualify for the GO Pass are still eligible for the MCTS Reduced Fare Program, which also helps make riding the bus more affordable.

With careful analysis to minimize impact to riders, a few low-demand routes will be modified or eliminated in the coming year. All changes leave riders with other options to get to their destinations and provide savings that are reinvested in transit service. Freeway Flyer Routes (43, 44, 46, 48 and 49) will see adjustments starting in March 2019 only to park-ride lots and areas of the routes where the vast majority of ridership is concentrated. In addition, Route 40 has not served the Ryan Road Park-Ride Lot since reconstruction of the Ryan Road interchange began in 2017. Route 40 service will continue to be limited to the College Avenue Park-Ride Lot in 2019. These adjustments provide not only a cost savings, but will mean shorter travel time on freeway flyers, a benefit that riders will enjoy.

Additionally, adjustments to routes that get students to a few suburban school districts are made. Students getting to school safely and easily is unquestionably a priority for County leaders. MCTS provides a variety of transit alternatives to schools. Analysis by MCTS planners shows schools currently served by special MCTS routes are also largely served by fixed-route buses that stop either directly at the school or within a quarter-mile (only one has a stop that is greater than a half-mile—but less than one mile—from the school). Meanwhile these special routes carry fewer riders than the local fixed route service options. Due to these factors, the morning and afternoon buses on school days that follow routes 50 (Morgan Ave - Milwaukee and St. Francis), 85 (Wauwatosa Whitman – West), 87 (West Allis Nathan Hale), 88 (Cudahy), and 89 (St. Francis) will be eliminated. The services will end in the fall of 2019 so families have enough time to plan. MCTS will work with the school districts to communicate alternatives to families that currently use these routes.

Moving forward, the County Executive and MCTS will work with the County Board to ensure that the transit system meets the needs of current and future bus riders. It will also be critical to seek a sustainable funding source for Milwaukee County transit.

## Pursuing Excellence

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Over the past seven years, the County has made tremendous strides toward operational excellence by implementing best practices, innovative ideas and regional coordination.

### Working Smarter

Milwaukee County could certainly use more revenue, but that doesn't stop leaders and line staff from finding innovative solutions to get the job done. Much of this innovation is achieved with investments in technology. In 2019, the Office of Emergency Management will implement a computer aided dispatch system that integrates public safety data among nine local fire departments. Equipped with this information, dispatchers will be able to immediately identify the closest available resources and consequently reduce response time to fire and emergency medical incidents. The Department of Health and Human Services is investing in the future development of a new case management system. This technology will link information on mental health, housing, disabilities and other services so that human service workers can more quickly and compassionately connect individuals with the assistance they need. The budget also includes an investment in an enterprise business intelligence solution. Business Intelligence leverages interactive dashboards and data

sources to guide business planning and transform data into action. The Milwaukee County Department of Transportation is requesting the ability to use business intelligence and data-based decision making to improve service delivery, drive higher levels of operational performance and increase citizen satisfaction.

Enterprise Resource Planning software development will continue in 2019, which will modernize the County's 30-year-old systems and integrate 50 different business processes—including critical financial, human resources and transit information—into one functional system. This effort will allow for a more cost effective, web-based platform and lay the groundwork for future open data initiatives.

### **Leveraging Green Investments**

The County Executive believes that environmental sustainability and fiscal sustainability go hand-in-hand. The County is committed to creating a sustainable facilities footprint, including reducing building energy use 20 percent by 2020. Through energy conservation and efficiency, and proactive space planning and real estate management, the County has reduced energy use by 12 percent versus 2014. This translates to savings of \$4.4 million since 2014. Moreover, the County has entered two of its buildings—representing 440,000 square feet of space—into the Better Buildings Challenge-Milwaukee. This City of Milwaukee program, an offshoot of the federal Better Buildings Challenge, connects Milwaukee building owners with best practices in energy efficiency. A new Energy Efficiency Program Manager position is included in the 2019 budget to advance these efforts, an investment which will pay for itself over time.

What's more, the County has reduced its facilities footprint by more than 1 million square feet of office and other space since 2016. The County will continue along this path in 2019, aiming to reduce infrastructure that is outdated and expensive to maintain. The budget reflects the anticipated planned sale and transfer of the County's Water Utility to the Milwaukee Regional Medical Center (MRMC) and the City of Wauwatosa. The budget also includes the anticipated sale of County Grounds land to MRMC member organizations, which will release the County from growing future maintenance costs and allow MRMC partners to increase investments in the area.

The House of Correction (HOC) continues to pursue its Zero Landfill Initiative, which reduces the County's carbon footprint while providing job skills training for those in custody. Program participants collect electronics from County departments, replace what they can and recycle the

rest. This year the City of Franklin gave HOC the go-ahead to begin composting. In just a few months, hundreds of pounds of food waste from the HOC and local food banks has been combined with "zoo poo" from elephants and other herbivores at the Milwaukee County Zoo. What's more, the HOC has donated more than 8,000 pounds of worm casting fertilizer to community gardening groups through its vermiculture program. These eco-friendly efforts earned the HOC an I.Q. (Innovation Quotient) Award from the Milwaukee Business Journal.

In 2018 the Milwaukee County Zoo received the Governor's Tourism Stewardship Award for its commitment to sustainability and conservation. In 2019, the Zoo aims to contribute the equivalent of 5 percent of its budget—more than \$800,000—toward such efforts through field conservation, education, staff programs and training, and other green practices.

### **Promoting Regional Coordination**

This year also brings a significant opportunity for regional coordination and partnership. Milwaukee County is seeking new space for both its Medical Examiner and Office of Emergency Management (OEM). At the same time, the Medical College of Wisconsin is aiming to enhance its research capabilities, forensic study and protective medicine curriculum. The 2019 budget includes planning funds for these partners to create a new Center for Forensic Science and Protective Medicine. This state-of-the-art facility will co-locate essential medical, safety and research services. Slated to open in early 2022, the new space will create a pipeline for forensic specialists and telecommunicators, create advanced training opportunities, modernize criminal justice investigations, and allow for refined coordinated emergency response to enhance patient outcomes. The new facility will also optimize communication and data-sharing between partners. This coordination is critical as Milwaukee County advances its response to the opioid epidemic, among other public health and safety needs.

The County's Office of the Medical Examiner investigates roughly 7,000 deaths a year, covering not only Milwaukee but also Jefferson, Kenosha, Racine and Ozaukee counties. Likewise, OEM plays an essential role in coordinating emergency response throughout Milwaukee's 19 municipalities, connecting public safety agencies and first responders in Milwaukee and Waukesha Counties through modern digital radio communications, and serving as the County's answering point for 911 calls. The Communications Center is the first to notify hospital emergency departments of incoming patients, while OEM regulates and educates the more than 500 paramedics in our countywide system.



The Medical College is a leading national partner with OEM in emergency medicine research. Together, these partners will undoubtedly enhance both research and practice while positioning Milwaukee as nationwide leader. Moreover, constructing just one facility will be significantly less costly for taxpayers.

## Investing in Our Workforce

Without a doubt, our employees are our most valuable asset. The County cannot truly pursue excellence without a fully engaged workforce. We know that the compensation structure in Milwaukee County is a major impediment to this goal. The County Executive believes that employees deserve to be paid fairly and competitively for the work they do. Addressing the issue is essential to attract and retain talent and increase the diversity of our workforce. That's why this budget prioritizes compensation more than any recent budget.

Once again, most employees will see a 1 percent increase at midyear, representing an annualized value of \$2.3 million. We know that this is not enough given that general market projections indicate 2019 salary increase budgets will be in the area of 2 to 2.5 percent for other organizations.

One of the most significant investments in this budget includes \$1.5 million toward new pay equity adjustments at midyear 2019—almost four times the amount budgeted in 2018. The reason this funding is not put into an across-the-board raise is to address key equity and market misalignment issues that cause significant turnover. If this funding is put toward an across-the-board raise, there is a risk of perpetuating the inequities and furthering turnover rates. These allotments for salary increases are in direct response to questions of fairness raised by employees during the County's employee engagement survey and listening circles. These actions will incrementally help level the playing field—primarily for hardworking staff on the front lines of service—to ensure employees are moved closer to fair and equitable compensation for the important work that they do. More than 200 employees have received equity increases so far in 2018, and approximately 83 percent of recipients were non-management staff. The priority again in 2019 is to target areas where turnover and equity issues are highest. Conversations are underway with departments on how to best do this in a way that is fair and equitable. We are thankful that a few Supervisors have also engaged in this conversation, and we hope this will lead to more systemic solutions to the County's compensation structure.

In 2018, nearly 45 percent of Milwaukee County employees responding to an exit survey cited compensation as a key reason for leaving their job at the County. The compensation



**Office of Performance, Strategy & Budget Director Joe Lamers presents the 2019 budget at an open house at the Washington Park Urban Ecology Center.**

quandary hits particularly hard with corrections officers, who—like many roles at Milwaukee County—can make between \$1 and \$2 more per hour doing the same job at a surrounding county. This results in high turnover and mandatory overtime that is unfair to employees and costly to taxpayers. The County Executive believes that our facilities must be staffed with well-trained, experienced officers. In efforts to reduce turnover, a pool of \$500,000 additional dollars will be made available at midyear for pay increases for corrections officers at the House of Correction and Milwaukee County Jail. Improved staffing levels will also allow more flexibility for corrections officers to implement programming—from workforce development to treatment and recovery—that provides those in custody the tools for a successful reentry to the community.

All in all, the recommended budget includes \$6.9 million of salary increases over the 2018 budget. This amount includes funding for the fully annualized cost of increases approved in 2018, plus new salary increases in 2019 as outlined above.

Employees will continue to enjoy generous holiday time, defined-benefit pensions, and competitive health insurance, in addition to a tuition reimbursement program. Through the Flexible Spending Accounts available to eligible employees, this budget matches out-of-pocket medical expenses dollar for dollar up to \$1,000. Employees will not see an increase in healthcare premiums or pension contributions in 2019.

Additionally, the County's two separate dental plans will be consolidated into one. Employees will not lose access to

their current dentist, as all dentists from the old plan will be covered with the new plan. In fact, employees will have more in-network dental options under the new plan. In order to incent use of urgent care over the emergency room, the 2019 plan will include an increased co-pay for ER visits. However, to ensure that individuals who need emergency care utilize the service, the entire co-pay is waived if the individual is admitted. Both measures will provide future cost savings to the County and ensure employees get the care they need.

The budget funds approximately \$88 million from the tax levy in healthcare and dental costs. Of this, nearly 60 percent of tax levy funds is allocated to retirees and 40 percent is allocated to current employees. For 2019, the projected tax levy cost of pension benefits is approximately \$80.6 million. Of this total, approximately 75 percent is earmarked for retiree costs. These costs represent our continued commitment to employees and retirees, but also our need to see additional revenue sources to cover these commitments.

## Enhancing Cultural Attractions

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### Opening a Window to the Wild

The Milwaukee County Zoo is one of the region's top attractions, drawing in 1.3 million visitors each year and generating an economic impact of more than \$150 million. This budget continues Milwaukee County's investment in the Zoo, enhancing both animal habitats and the guest experience. The new West Entrance on Bluemound Road and Highway 100 opened in May, creating an additional parking lot with more than 500 spaces and easy access to the popular new Otter Passage exhibit. In partnership with concessions and retail vendor SSA, the Zoo introduced the "adult-friendly" Bear Garden with 12 rotating tap brews and the air stream OOO Food Truck. Guests can now indulge in a variety of cheesy fare—including grilled cheese, mac and cheese, and cheese fries—while viewing the adjacent grizzly bear exhibit. In the first full year of the SSA partnership, the Zoo's per person revenues have increased in both food and merchandise sales, visitors receive a higher-quality dining experience, and the Zoo can focus on what it does best—caring for animals.

The first of three phases of the Zoo's signature Adventure Africa exhibit is on track to open in May of 2019. The expanded area will create a more natural atmosphere for up to five elephants, with two acres of exhibit space and a watering hole pool large enough for three full-size elephants to totally submerge. Phase one will also include zebras, impalas, crowned cranes and two species of forest antelope.

The 2019 capital budget will support phase two, which will include \$13.4 million for renovations to the hippopotamus exhibit. Philanthropic partners made this project possible for the County, as the exhibit will be financed with \$4.8 million from a private donor, \$4.3 million from the Zoological Society and \$4.3 million from the County. The exhibit will open in the spring of 2020 and will include an energy-efficient water filtration system and one of the few underwater hippo viewing pools in the country. Adventure Africa's third phase is currently in development.

In order to support these high value-added improvements, Zoo admission rates will increase modestly by \$0.75 effective April 1, 2019. These investments will allow the Zoo to continue as a model for animal management, conservation, research and education, all while providing a fun and engaging experience for families throughout the region.

### Preserving Our 'Emerald Necklace'

With more than 150 parks spanning 15,000 acres, Milwaukee County Parks continue to be one of the region's premier park systems. This year the Parks Department is building on the success of its trails, dog parks and beer gardens to add an extraordinary amenity—camping. Modeled after similar outdoor camping programs in the region, Parks leaders will work with the County Board to identify locations for tent and group camping throughout the system. In order to leverage our existing natural resources and provide a rustic camping experience, the initial camping program will include the addition of picnic benches and fire pits to select sites. Conservation experts will also take care to ensure that plant and animal life in our parks remain undisturbed. Milwaukee's camping adaptation is expected to generate \$50,000 in new revenue and provide unique experience for urban adventurers.

The popular China Lights lantern sculpture display will return to Boerner Botanical Gardens in 2019, with anticipated revenue of \$250,000 supporting Parks overall operations. The Parks are also wrapping up another successful beer garden season, bringing in an increase of \$50,000, in large part due to investments at South Shore Beer Garden and the implementation of a point-of-sale system to accept credit card payments.

The Parks budget also includes \$35,000 to continue to develop and implement a Diverse Swimming Program, which will help ensure that everyone in Milwaukee has access to this fun and potentially life-saving activity.

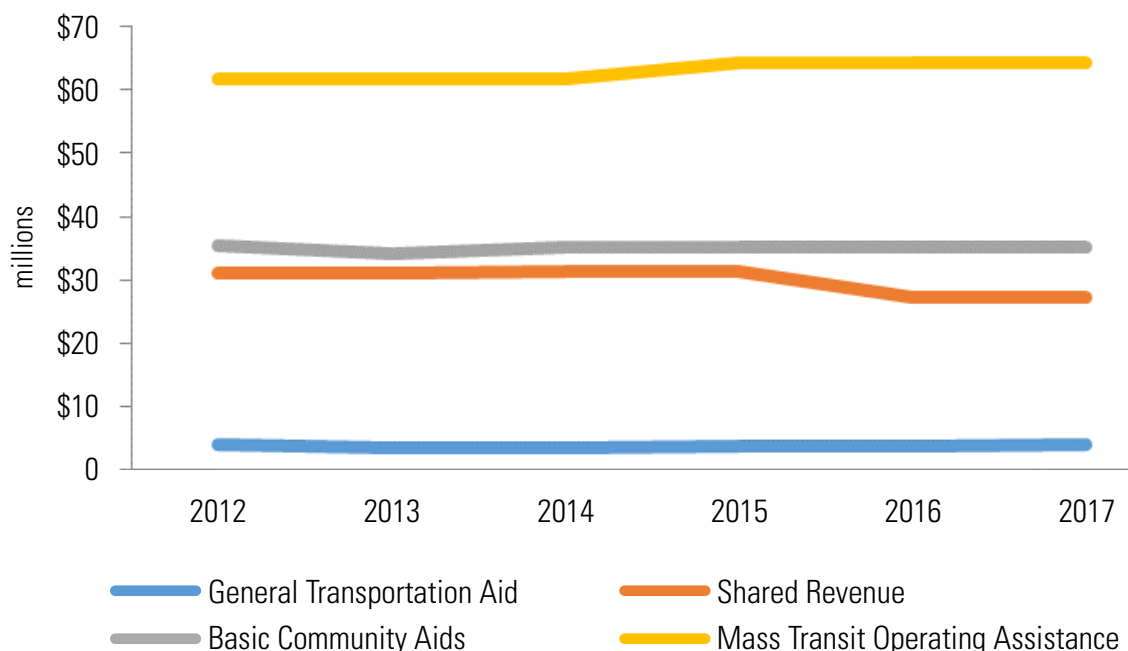
## Ensuring Fiscal Sustainability

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Ensuring the County is fiscally sustainable for generations



## Milwaukee County Actual State Aid Trends (2012–2017)



***Revenues from the State of Wisconsin sent back to Milwaukee County in order to provide essential services have remained largely flat since 2012.***

to come is another top priority of the County Executive. Declining state financial support and accelerating costs—especially for pension and other commitments made in the past—contribute to the County’s deepening structural deficit. While this budget provides only a temporary stopgap, the partnerships the County has developed have well positioned us to seek changes with the State.

### Closing the Gap

Although the largest gap-closing measure was the 1.1 percent tax levy cut made by departments, a number of other factors helped balance the 2019 budget. Due to a forecasted surplus in healthcare for 2018, the County’s fringe budget was able to absorb 2019 cost increases, according to an analysis by the Comptroller. This one-time savings was in large part due to high pension investment returns and unanticipated health insurance savings—but costs are estimated to spike again in future years.

Many states will see a boost in revenue this year after the Supreme Court ruled that states can collect online sales taxes. Online sales tax collections will begin in October 2018, and are expected to produce \$1.7 million of added revenue to Milwaukee County.

Given state law, counties can raise property taxes only

by the growth of the debt service and the value of new construction. So as not to increase borrowing and put the County further into debt, a \$1.3 million increase is included in the budget from the growth in property tax base from new construction projects. That said, the average homeowner will not see any increase in the County property tax.

The budget also includes a \$2 million reduction for the Behavioral Health Division. Due to the incredible work of BHD and the Mental Health Board along with the transition from institutional to community-based care, BHD has built up an operating reserve that is double what state statute requires. While a healthy reserve is important, this adjustment will allow BHD to contribute to countywide obligations and budget for cost savings or potential reserve contributions. This adjustment will ensure BHD maintains sound reserves while supporting the County as a whole, and will be reviewed on an annual basis. It is important to note that the level of services at BHD will not be reduced as a result of this allocation.

Additionally, the budget withdraws \$3.9 million from the debt service reserve. Although the withdrawal is lower than years past, taking money from the County’s rainy day fund to plug the budget gap is not a long-term solution.

The debt service reserve (DSR) is the only mechanism that

C O N T I N U E D

Milwaukee County has to carry over funds from year to year. Bond rating agencies strongly recommend that sufficient funds be reserved to account for emergencies and other unavoidable, unplanned, one-time expenses. It is therefore critical for the County to maintain a healthy reserve. The County Executive has intentionally built up the reserve to protect the County from unexpected events. While currently at \$27 million, the Government Finance Officers Association recommends setting aside at least two months operating budget—almost double what the County currently has.

While DSR has been used to balance the budget in previous years, it is not a viable ongoing funding source, particularly as County surpluses have diminished. While surpluses have been quite large in previous years, they have shrunk substantially. To illustrate, the 2017 year-end surplus was \$4.8 million, but the surplus must exceed \$5 million in order to be added to the debt reserve. That means the County is putting away less and less in our emergency savings fund.

### **Building Partnerships for a Better 414**

It has become common practice to start the budget cycle by asking: “Where do we have to cut to balance the budget?” Our goal is to instead ask: “Where can we invest to improve the quality of life for Milwaukee County residents?”

We have run out of options to fix our budget problems locally. If we want to make real investments in our community, we will need to change the relationship between the state and local governments. We can only achieve this by working together and with the public’s support.

According to the County’s independently elected Comptroller’s five-year forecast, County expenditures will grow on average 2.3 percent each year while revenues will grow on average 0.9 percent.

The County faces outsized liabilities from earlier commitments to retirees that threaten to consume from 80 to nearly 100 percent of the operating tax levy within the next 10 years.

Deferred maintenance on buildings is mounting, with estimates of \$29 million for cultural facilities and more than \$200 million for a new Criminal Courthouse, based on the County’s current five-year Capital Improvement Plan. What’s more, the County’s Capital Improvements Committee could only fund 62% of the \$86.3 million of (non-Airport and non-BHD) requests for 2019.

In 2020, the assumed rate of return on pension investments will drop from 7.75 percent to 7.5 percent. Although the change may seem slight, it will result in \$6.6 million less toward the County’s bottom line. The County will soon



***County Executive Chris Abele and County Board Supervisors Sylvia Ortiz-Velez, Steven Shea, Marina Dimitrijevic and Jason Haas welcome community members to a budget open house at Kosciuszko Community Center.***

lose a significant revenue source of \$9 million annually as payments from the sale of the County’s Doyne Hospital to Froedtert Hospital will end based on contract. These payments will be reduced by half in 2021 and eliminated altogether in 2022.

Meanwhile, Milwaukee County taxpayers continue to send more and more to the State of Wisconsin. The amount of revenue that Milwaukee County residents and businesses send to the State, including income tax, has increased from approximately \$2.1 billion in 2009 to more than \$2.5 billion in 2015, according to the most recent reports available from the Wisconsin Department of Revenue. That’s a \$400 million increase. At the same time, dollars we receive back from the State have been largely flat.

Given these challenges, the Comptroller estimates that the budget gap will widen to nearly \$80 million by 2023.

The County provides so many essential and enriching services that improve quality of life. Absent any policy changes, the County will be forced to make deep service cuts in order to address the deficit.

Nevertheless, the County has never been better positioned to improve its outlook. With the support of the public, the County Board and the partnership of other key stakeholders, we can build a better 414.

Milwaukee County deserves better. And that is something we can all agree on.



**Milwaukee County Executive**  
**Chris Abele**

**Director of Administrative Services**  
**Teig Whaley-Smith**

**Department of Administrative Services, Fiscal Affairs Division,**  
**Office of Performance, Strategy & Budget**

---

**Director Joseph Lamers**

**Capital Budget Coordinator Vince Masterson**

**Operating Budget Manager Daniel Laurila**

**Senior Budget & Management Analyst Jeremy Lucas**

**Budget & Management Analyst Lisa Wozny**

**Budget & Management Analyst Joshua Scott**

**Budget & Management Analyst Lindsey Shreves**

**Special Thanks to:**

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**Elected Officials • Department Heads • Departmental Staff**  
**Staff of the Office of the Comptroller • House of Correction Print Shop**

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## Milwaukee County Board of Supervisors

### Chairman

**Theodore Lipscomb, Sr.** (1st District)

### First Vice-Chair

**Marcelia Nicholson** (5th District)

### Second Vice-Chair

**Sequanna Taylor** (2nd District)

#### 3rd District

**Sheldon A. Wasserman**

#### 9th District

**Patti Logsdon**

#### 14th District

**Jason Haas**

#### 4th District

**Marina Dimitrijevic**

#### 10th District

**Supreme Moore Omokunde**

#### 15th District

**Eddie Cullen**

#### 6th District

**James "Luigi" Schmitt**

#### 11th District

**Dan Sebring**

#### 16th District

**John F. Weishan, Jr.**

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**Sylvia Ortiz-Velez**

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#### 13th District

**Willie Johnson, Jr.**

#### 18th District

**Deanna Alexander**

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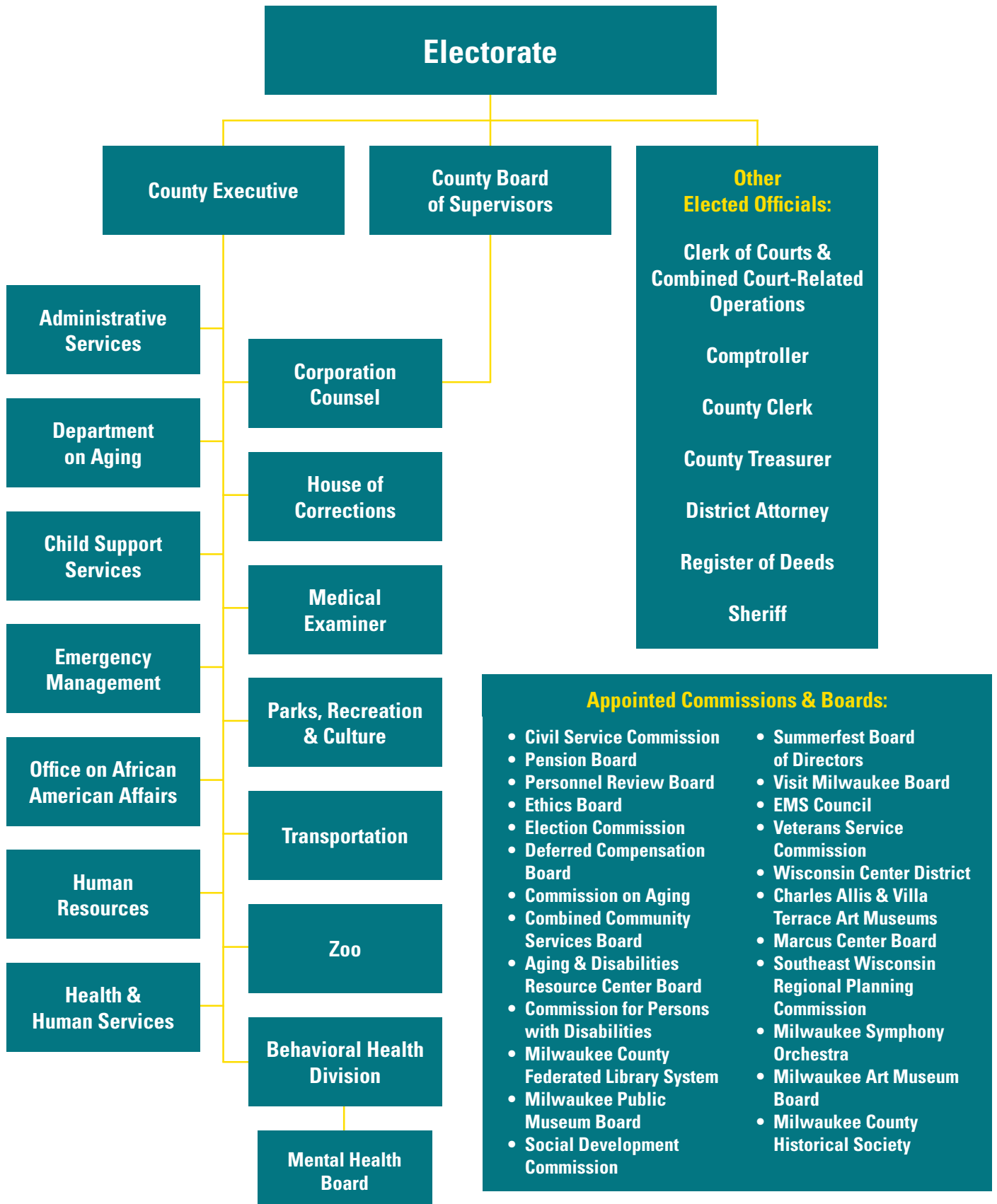
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# ORGANIZATIONAL CHART



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*Milwaukee County Government will provide high-quality, responsive services that enhance self-sufficiency, personal safety, economic opportunity and quality of life for all its people.*

## MILWAUKEE COUNTY MISSION STATEMENT

### Budget Narrative Reader's Guide

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The budget narrative serves as the County's business plan for the upcoming year. It provides information to taxpayers, policymakers, stakeholders, community groups, and other interested parties about what the County intends to produce with the resources provided to it. The goal of the budget narrative is to present this business plan in a format that is easy to read and informative for everyone who has an interest in the County. We seek to achieve this goal in part by adopting best practices, which are exemplified by the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award, which the County has received each year since 2015.

In 2017 the Office of Performance, Strategy and Budget adopted the Economist Style Guide for writing in order to provide a layer of consistency to the reader throughout the budget. More information about this style guide is available at (<http://www.economist.com/styleguide/introduction>).

#### Structure of the Narrative

Each departmental narrative starts with one or more summary pages. The first page shows expenditures, revenues, tax levy for the entire department, and how much of each department's resources are consumed by legacy costs, when applicable.

The budget summary page includes the Effective Tax Levy for each department. This number modifies the tax levy to reflect a number without centralized charges (i.e. employee fringe costs, facilities and IT costs, and other types of interdepartmental charges). This shows a more consistent representation of a department's tax support for services.

Staffing information for the entire department shows FTEs based on full-time (including adjustments for Overtime and projected vacancies) and part-time (seasonal, hourly, pool, etc.) positions, and overtime by dollars. Following this information is a brief overview of the department's mission and structure.

Below each department's mission and structure is a section called "2019 Major Changes." This section describes the changes from the prior year. These may include any changes with policy implementation, personnel changes, change in fees, new revenue or significant changes in revenue, or any other extraordinary changes.

After the departmental summary pages, the narrative shows detailed information about each program area, including:

**Service Provision:** This indicates whether the program is mandated by State or Federal law, committed via contract or other long-standing relationship, discretionary, or administrative in nature. Administrative program areas generally assist other County departments with basic business functions.

**Strategic Outcome:** This indicates the plank of the County's mission statement, to which the program is most closely aligned. The County's Mission Statement reads:

*Milwaukee County Government will provide high-quality, responsive services that enhance self-sufficiency, personal safety, economic opportunity and quality of life for all its people.*

For instance, in many of the programs within the Office of the Sheriff, the Strategic Outcome are listed as “personal safety”; likewise in many administrative departments, the Strategic Outcomes are listed as “high-quality, responsive services.”

**“What We Do”:** This indicates activity data that shows “how much” service is provided, for instance the number of aquatics attendees at parks or the number of individuals served in the senior meal program.

**“How We Do It”:** This displays the resources dedicated to this program area, including expenditures, revenues, tax levy, and total full-time FTEs (note that this figure does not include FTE equivalents for overtime, special premium, salary adjustment, shift differential, or vacancy and turnover).

**“How Well We Do It”:** This displays performance measures for the program area. Many departments have identified and developed performance measures for several program areas; more will be created and included

in future budget years, as this is intended to be an iterative process.

**Strategic Overview:** The Strategic Overview section identifies the key strategic goal(s) of each Program Area. This section includes a brief description of how this Program Area addresses services or needs within its department. Where possible, the Program Area’s key performance indicators (*What We Do* and *How Well We Do It*) connect to the department’s overall goals.

**Strategic Implementation:** Includes any changes to the Program Area for the 2019 budget compared to the 2018 Adopted Budget. Identifies ways in which the scope of the Program Area described in the Strategic Overview section has been impacted by funding levels in the 2019 budget. This area includes details about positions, services or initiatives that have been increased or decreased. Where necessary, this section describes impacts to performance that are the result of changes in funding.

# MILWAUKEE COUNTY

## COMMUNITY PROFILE

Milwaukee County was formed in 1835 when it was part of the Michigan Territory.

Prior to that, the area had been settled by a variety of Native American tribes and was explored by French priests and traders as far back as 1674. The name “Milwaukee” is generally believed to be derived from a Native American term meaning “good land.”<sup>1</sup>

Today Milwaukee County is, by population, the largest county in the state of Wisconsin and the 47th largest in the United States with 952,085 residents<sup>2</sup>. Milwaukee County is one of the few fully-incorporated counties in the United States and includes 19 municipalities that range from a large urban center in the city of Milwaukee with 595,351 residents<sup>2</sup> to small villages such as River Hills with a population of 1,600.<sup>3</sup>

The County anchors the Greater Milwaukee Metropolitan Area, which has a population of more than 2 million and includes seven neighboring counties: Waukesha, Racine, Washington, Ozaukee, Dodge, Jefferson and Walworth.



*Milwaukee County's ever expanding skyline*



*Lithograph of 1885 Milwaukee*

As in many other major urban areas in the upper Midwest, the regional economy in the 20th century was based on heavy manufacturing. As the manufacturing sector has declined nationally since the 1970s, the region has transitioned to attract economic growth based on high-tech, light manufacturing and service-oriented industries, now developing into a worldwide leader in freshwater sciences and technology. Milwaukee County has a fairly small population of young people compared with other large metro areas, but still continues to grow. In 2018, the city of Milwaukee was ranked number nine for cities with the youngest entrepreneurs.

The tables on the following pages provide some demographic and economic data about Milwaukee County.

<sup>1</sup> Wisconsin Historical Society, online at <http://www.wisconsinhistory.org/Content.aspx?dsNav=N:4294963828-4294963788&dsRecordDetails=R:BA8864>

<sup>2</sup> U.S. Census Bureau Quickfacts, online at: <http://www.census.gov/quickfacts/table/PST045215/55079,00>

# MILWAUKEE COUNTY

## Basic Data

	Milwaukee County	Wisconsin
Land Area in Square Miles (2010)	241	54,158
Population (July 2017 estimate)	952,085	5,795,483
Population Density (Population per Square Mile)	3,926	105

## Demographic Data

	Milwaukee County	Wisconsin
Persons Under 5 Years (July 1, 2017)	6.0%	5.8%
Persons Under 18 Years (July 1, 2017)	24.0%	22.1%
Persons 65 Years & Over (July 1, 2017)	13.2%	16.5%
High School Graduate or Higher	86.9%	91.4%
Bachelor's Degree or Higher	29.7%	28.4%
Veterans (2011–2015)	46,833	367,227

## Economic Data

	Milwaukee County	Wisconsin
Housing Units (July 1, 2017)	418,888	2,695,462
Homeownership Rate (2012–2016)	49.4%	67.0%
Median Value of Owner-Occupied Housing Units (2012–2016)	\$150,000	\$167,000
Households (2012–2016)	382,778	2,310,246
Median Household Income (2012–2016)	\$45,263	\$54,610
Total Employment (2016)	445,787	2,524,329*
Total Employment, Percentage Change (2015–2016)	–1.5%	0.8%*
Manufacturers Shipments, \$1000 (2012)	19,176,207	177,728,926
Merchant Wholesaler Sales, \$1000 (2012)	12,445,288	77,066,883
Women-Owned Firms (2012)	24,978	133,859
Minority-Owned Firms (2012)	20,847	40,507
Veteran-Owned Firms (2012)	5,307	39,830
Retail Sales, \$1000 (2012)	10,427,898	78,201,822
Retail Sales Per Capita (2012)	\$10,917	\$13,656
Accommodation & Food Services Sales, \$1000 (2012)	1,831,041	10,303,256
Building Permits (2017)	1,579	19,545

\* Includes data not distributed by county  
Source: U.S. Census Bureau

## 10 Largest Principal Property Tax Payers

<b>Taxpayer</b>	<b>2017 Equalized Value</b>
Northwestern Mutual Life Insurance Co.	\$495,111,000
Mayfair Mall LLC	\$488,652,000
Bayshore Town Center LLC	\$335,552,000
US Bank Corp.	\$241,581,000
Mandel Group	\$212,811,000
Southridge Mall & Plaza	\$148,778,000
Walmart/Sam's Club	\$147,914,000
Metropolitan Associates	\$136,070,000
Juneau Village/Prospect Tower/Katz	\$124,102,000
Aurora Health	\$110,457,000

Source: 2017 Milwaukee County Comprehensive Annual Financial Report, Office of the Comptroller

## 10 Largest Private Sector Employers

<b>Employer</b>	<b>Industry</b>	<b>2017 Employees</b>	<b>% of Total County Employment</b>
Aurora Health Care, Inc.	Health Care System	26,462	5.53%
Ascension Wisconsin*	Health Care System	12,000	2.51%
Froedtert & Community Health	Health Care System	10,913	2.28%
GE Healthcare	Health Care Technologies	6,000	1.25%
The Medical College of Wisconsin	Private Medical School	5,573	1.17%
Children's Hospital	Health Care System	5,004	1.05%
Northwestern Mutual Life Insurance Co.	Insurance & Investment Products	5,000	1.05%
Goodwill Industries	Training Programs, Retail & Food	4,210	0.88%
US Bank NA	Banking Services	3,700	0.77%
The Marcus Corporation	Theaters & Hotel Properties	3,180	0.66%

Source: 2017 Milwaukee County Comprehensive Annual Financial Report, Office of the Comptroller

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## **Budget Policies & Structure**

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Budget Process & Calendar

Financial Management Policies

Basis of Budgeting

Performance Budgeting

Fund Balance Policy

Fund Descriptions

Budgetary Funds

Functional Area by Fund Type

Department by Fund

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## *State Statute 59.60 governs the annual budget process for Milwaukee County.*

### Budget Process & Calendar

**M**ilwaukee County's budget represents the County's business plan for the coming year, and shows taxpayers and stakeholders how County services link to these broad building blocks of our community.

#### **The Budget Process**

State Statute 59.60 governs the annual budget process for Milwaukee County. Each department is required to submit requested operating and capital (as part of a five-year capital

### Milwaukee County Annual Budget Calendar

#### **March through May**

The Office of Performance, Strategy & Budget (DAS-PSB) develops budget assumptions for the upcoming fiscal year. Tax levy targets are submitted to the departments. Budget instructions and forms are submitted to department administrators.

#### **May**

Capital Budget requests are submitted by County agencies to the Department of Administrative Services-Facilities Management Division.

#### **July**

Operating Budget requests and revenue estimates are submitted by County agencies to DAS-PSB.

Department administrators present the programmatic impacts of their budgetary requests. The Department of Administrative Services and the County Executive review agency budget submittals.

#### **August**

Per State Statute, DAS-PSB submits to the County Board a summary of requested budgets by August 15.

#### **September & October**

The County Executive holds listening sessions to solicit input from the public.

The County Executive presents to the County Board the Executive Budget for the subsequent year. This is then referred to the Board's Finance, Personnel & Audit Committee for review and recommendation.

#### **October & November**

The County Board holds a public hearing on the budget, inviting members of general public to comment on the Executive Budget and Finance, Personnel & Audit Committee changes to date.

The County Board conducts the annual meeting and the adoption of the budget and tax levies. During this meeting, the County Board acts on the amendments and recommendations submitted by the Finance, Personnel & Audit Committee relative to the County Executive's Budget as well as amendments submitted by individual County Board supervisors.

#### **January**

Departments translate the budget to public service.

plan) budgets to the Director of Administrative Services no later than **July 15**.

On or before **August 15**, the Department of Administrative Services (DAS) is required to submit a summary of the requests to the County Executive and County Board, and the County Executive is required to hold public hearings on the requests. DAS is required to analyze the operating and capital requests and assist the County Executive in making "changes in the proposed budget that in the executive's or administrator's discretion are considered desirable or proper" (§59.60 (6) (a)).

The resulting Executive's Budget is then presented to the County Board on or before **October 1**. The Board then considers and may adopt amendments to the County Executive's Budget and must hold a public hearing on the budget no later than the first Monday in November. After adopting amendments and holding the public hearing, the Committee on Finance, Personnel and Audit submits the amended budget to the County Board, which adopts the final Budget in mid-November.

After the Budget has been adopted and a detailed summary of appropriations is provided to County departments, the Office of Performance, Strategy & Budget and Office of the Comptroller monitor the budget during the fiscal year. This monitoring involves periodic checks of expenditures against appropriations, reviewing actual revenue compared to budgeted revenue and reviewing requests for transfer of appropriations. The legal level of control for each budget is by department.

Once the budget is adopted, transfers of appropriations among departments (excluding those governed by the Mental Health Board) require approval by the Board of Supervisors. Supplemental appropriations for the purpose of public emergencies or from the contingency appropriation may be made from unanticipated revenues received or surplus, as defined by resolution adopted by a vote of two-thirds of the members of the Board of Supervisors. Supplemental appropriations from the issuance of tax anticipation notes require an affirmative vote of three-fourths of the members of the Board of Supervisors. Approved transfers of appropriations are processed by the Office of the Comptroller and Office of Performance, Strategy & Budget.

*It is the adopted policy of Milwaukee County  
that the County's budget must be balanced.*

## Financial Management Policies

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**M**ilwaukee County's long- and short-term financial policies are derived from various sources; primarily including AAA-rated peer counties and the Government Finance Officers Association (GFOA).

The State of Wisconsin Statutes prescribes the basic budgeting standards for county governments. These financial policies establish the basis of accounting in conformance with Generally Accepted Accounting Principles (GAAP). Below is a description of the County's fiscal management policies for a variety of topics including revenues, operating expenditures, capital improvements, debt, risk management, grants, use of one-time revenues, information technology purchases and other items.

### Balanced Budget

It is the adopted policy of Milwaukee County that the County's budget must be balanced. Total expenditures will be funded by a combination of various external revenue sources (e.g., intergovernmental sources, grants, fees, or fines), property taxes, sales taxes, and funds appropriated from available fund balances.

### Operating Budget – Revenue Policy

The County relies on the property tax and has implemented a local option sales tax to fund state and local programs and services. Property taxes account for about 25 percent of total revenues. The local option sales tax provides approximately 7 percent of total budget.

State Statutes also allow for collection of a local motor Vehicle Registration Fee (VRF). The 2017 Adopted Budget included the implementation of this fee. The adopted vehicle

registration fee of \$30 per vehicle is forecasted to provide between \$16 and \$17 million per year accounting for 1 to 2% of total revenues.

The County attempts to maintain a diversified and stable revenue stream.

The County continues to transition to true user fee service charges to help offset reductions of federal/state funding and to balance reliance on property tax revenues. Service fee charges (user fees) are implemented for services that can be individually identified and where costs can be directly related to the level of service provided. The County's budgeting philosophy is to annually review and provide at least nominal inflationary increases on appropriate user fees charges for service to reflect increasing costs of providing those services.

Services that have a countywide benefit shall, in general, be financed with broad-based revenue sources such as property tax levy and state aids. Services where the customer determines the use shall, in general, be financed with user fees, charges, and other revenues related to the level of service provided.

County staff are required to follow good billing and recording practices, and to engage in collections of outstanding debts. All such outstanding debts are forwarded to the County's collections program as soon as possible.

The County maximizes its return on investment consistent with its investment policy as required by County Ordinance 15.215. The County will also follow all Internal Revenue

Service policies with regards to the investment of bond proceeds. Investment income is used to reduce reliance on the property tax levy and fund capital projects. Investment return is limited due to emphasis on the safety of the principal, rather than the return on investments, and its investments reflect that policy, which is also required by State Statute. Deposits with financial institutions should either be covered by Federal depository insurance and State governmental insurance, subject to availability of funds in the State's Deposit Guarantee Fund or collateralized with government securities held in a separate financial institution in the County's name. The County's investment policy states that all securities shall be properly designated as an asset of Milwaukee County and held in safekeeping by a third-party custodial bank or other third-party custodial institution, chartered by the United States Government or the State of Wisconsin and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the County Treasurer or a designee.

Due to strict limits placed on the County by the State regarding use of surplus funds and fund balances, one-time revenues and fund balances shall not be used to fund ongoing operating expenses, other than reducing taxpayer costs for debt service.

The County actively seeks to increase revenues through the sale of excess assets; proceeds from which are utilized for one-time investments.

Revenue budgets are based on documented assumptions; significant budgeted increases in revenue are based on data and explained in the budget narrative.

Sales and Use Tax revenues shall be applied toward county expenditures as follows:

- a. Pay general obligation debt service costs.
- b. Cash finance capital improvement projects.
- c. Pre-pay outstanding bonds.
- d. Pre-fund employee benefit costs or fund unanticipated or extraordinary annual increases in such costs.
- e. Or supplement the Appropriation for Contingencies.

### **Operating Budget – Expenditure Policy**

Under Wisconsin State Statute, no payment may be authorized or made and no obligation incurred against the County unless the County has sufficient appropriations for each payment. Budgetary control over expenditures is maintained by a formal appropriation and encumbrance system. Encumbrances are charged against appropriations when purchase orders, contracts, or other commitments are incurred. No payment may be made or obligation incurred against an appropriation unless the director first

certifies that a sufficient unencumbered balance is or will be available in the appropriation to make the payment or to meet the obligation when it becomes due and payable. An obligation incurred and an authorization of payment in violation of this policy is void. A county officer who knowingly violates this policy is jointly and severely liable to the county for the full amount paid. A county employee who knowingly violates this subsection may be removed for cause.

Every appropriation excepting an appropriation for capital expenditure or major repair lapses at December 31, to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure or a major repair continues in force until the purpose for which it was made has been accomplished or abandoned or three years pass without any expenditure or encumbrance. The County Board of Supervisors approves carryovers recommended by the Department of Administrative Services – Office of Performance, Strategy and Budget (DAS-PSB).

The legal level of control for each budget is by department. Once the Budget is adopted, transfers of appropriations among departments require approval by the Board of Supervisors. Supplemental appropriations for the purpose of public emergencies or from the contingency appropriation may be made from unanticipated revenues received or surplus, as defined by resolution adopted by a vote of two-thirds of the members of the Board of Supervisors. Supplemental appropriations from the issuance of tax anticipation notes require an affirmative vote of three-fourths of the members of the Board of Supervisors.

### **Land Sales & Other One-Time Revenues**

It is the general policy of Milwaukee County that significant one-time revenues be utilized for one-time projects or acquisitions and shall not be used to offset ongoing operating costs of County Government. The policy shall be consistent with File Number 11-145, developed by the Long-Range Strategic Planning Steering Committee.

Large, unanticipated one-time revenues not related to grants, insurance proceeds, or other previously-identified projects or uses shall be allocated in accordance with established policies on one-time revenues and Chapter 6 of the Milwaukee County Code of Ordinances as amended through File Number 17-204.

### **Operating Budget Forecast**

The Office of the Comptroller develops and annually updates a five-year financial forecasting system, which includes projections of revenues, expenditures, future costs of current

budget decisions and costs, and debt service.

## Debt Management & Capital Finance

The County has adopted the following debt management and capital finance policy goals:

- Tax supported debt service costs shall not exceed actual sales and use tax revenues.
- Direct debt shall not exceed 1.5% of equalized property value.
- Financing terms shall not exceed 16 years.
- Average principal maturities shall not exceed 10 years.
- Direct debt per capita shall not exceed \$500.
- Bond insurance will be used when it provides a net economic benefit.
- Corporate purpose bond issues are limited to an increase of 3% based on the previous Adopted Capital Budget corporate purpose bond amount.
- Net present value savings for proposed refunding should total a minimum of 3-5% of refunded capital.

## Unrestricted Fund Balance Policy

Unlike most other local governments in Wisconsin and across the Country, Milwaukee County's ability to retain unrestricted fund balance is extremely limited. Wisconsin State Statute 59.60(6)(b)(3) requires Milwaukee County to budget a prior year surplus or deficit in the next budget year. For example, a \$5m surplus from 2017 must be budgeted as revenue in the 2019 budget. There are two alternatives to this requirement:

The County may, under State Statute 59.60(5)(g), place surplus funds in a "sinking fund" for the "redemption or repurchase of bonds", or for emergency needs. This sinking fund is referred to as the Debt Service Reserve Fund in Milwaukee County. In 2018, through File Number 18-368, the Milwaukee County Board of Supervisors allocated up to \$5m of the 2017 operating surplus to the 2019 operating budget and transferred the remaining balance to the Debt Service Reserve.

State Statute 59.60(13)(b)(3) provides for a tax stabilization fund, into which surpluses may be deposited. However, this statute allows the County to utilize this fund only in order to prevent a tax levy increase of 3% or greater over the prior year. 2013 Wisconsin Act 20 (the State's 2013-2015 Biennial Budget) retained limits on property tax levy increases that make this occurrence highly unlikely. To date the County has not utilized this fund.

Due to these statutory restrictions, the County is not able to develop an unrestricted fund balance, and therefore

the County has no need to implement an unrestricted fund balance policy.

## Debt Service Reserve

Bond rating agencies strongly recommend that sufficient funds be reserved to account for emergencies and other unavoidable, unplanned, one-time expenses. Meeting this recommendation results in increased ability to respond to unanticipated expenses and improved bond ratings, which results in lower interest rates for debt and reduced ongoing debt service costs. Therefore, Debt Service Reserve funds, excluding bond proceeds, shall be utilized only to:

- a. Reduce taxpayer costs for debt service;
- b. Provide cash financing for one-time capital projects, or for one-time operating items that result in improved County service and/or reduced ongoing County costs in future years;
- c. Provide cash financing for the refinancing of debt when financially advantageous;
- d. Respond to emergencies as allowed by §59.60 (5) (g).

In order to ensure sufficient funding for emergencies and one-time expenses and with the goal of improvement in the County's ability to respond to emergencies, and improve bond ratings, the County will seek to build and maintain a minimum balance of \$10m in the Debt Service Reserve.

## Risk Management

Realizing the importance of maintaining a safe workplace for the benefit of both its employees and the general public, all County employees will follow proper risk management practices, which will result in a safer workplace which will enable the County to maintain a high level of professionalism, courtesy, and quality of service, while protecting its human and financial resources. The Director of Risk Management will develop a comprehensive risk management program and will chair a countywide safety committee that will promulgate best practices in all departments and elected offices.

## Information Technology

An Information Technology Steering Committee was created in 2015 to review and approve information technology purchase requests (hardware or software) with a unit cost of greater than \$500. Per best practices identified by the Government Finance Officers of America & Canada, all funds for information technology purchases with a unit cost of greater than \$500 are budgeted in the Information Management Services Division of the Department of Administrative Services (DAS-IMSD). No County department or office other than the Transit and Airport divisions of the

Department of Transportation may purchase information technology-related items with a unit cost greater than \$500. Approval for replacement items (commodities), updated maintenance agreements or software license renewals, new or replacement software applications, significant hardware upgrades or new purchases in excess of \$500 require approval by the Information Technology Steering Committee. The Information Technology Steering Committee shall be comprised of at least one member each from the legislative and judicial branch and one from the Office of the Sheriff.

## Budget Documents

The County's Annual Adopted Budget is published in two sections, Operating and Capital, as follows:

The Operating Budget includes five major sections:

1. **The Introductory Section** provides basic information about the County, such as elected officials, a community profile and a countywide organizational chart; and the Budget document, such as the table of contents.
2. **The Budget Summary Section** provides information about the budget from a countywide perspective, including analysis of: the short and long-term factors that influence the annual budget and the County's long-term fiscal situation; performance measures; analysis of major revenue and expenditure changes; information about the county's major funds, and budgeted positions.
3. **The Budget Policies Section** provides information about the County's budget and financial management policies, the budget process calendar, basis of budgeting, and policies regarding the use of fund balances.
4. **The Departmental Narratives Section** includes the detailed narratives for each individual department, including major changes, detailed revenue and expenditure analysis, and resources, activity data, and performance measures by service area.
5. **The Supplemental Information Section** includes additional information such as a glossary, operating authority and purpose for each department, and an index.

The Capital Budget includes project-by-project detail and five-year planning goals, objectives, and funding requirements.

## Performance Management & Budgeting

The County's Strategic Outcomes are the components of the Mission Statement, as defined above: High-Quality, Responsive Services; enhancement of Self-Sufficiency, enhancement of Personal Safety, enhancement of Economic Opportunity, and enhancement of Quality of Life. Based on these strategic outcomes, all Departments and Offices will:

1. Identify distinct Program Areas.
2. Link Program Areas with the most appropriate Strategic Outcome.
3. Develop Performance Measures that show progress of that Program Area towards achieving the Strategic Outcomes.

## Property Tax Levy Increase Limits

The states Local Levy Limit law (Wis. Stat. 66.0602) allows a County to increase its total property tax levy by the percentage change in the County growth in equalized value due to net new construction between the previous year and the current year.

The tax levy cap includes the following exemptions:

- Debt service tax levy (including any debt that was refinanced or refunded).
- Countywide Emergency Medical Services.

The County may also utilize one of two provisions that allow for carryover of available levy from the prior year:

- Unused tax levy authority up to a maximum of 1.5% of the prior year levy could be carried forward by a super majority vote of the County Board.
- A new carryforward provision was added in the 2015-2017 State budget that allows the county to carry forward unused levy limit capacity for a period of up to five years under certain conditions. The amount of the potentially available carry forward adjustment is determined by totaling the amount of any *unclaimed* carry forward percentages from each of the proceeding five years' levy limit worksheets. However, since the law specifies that the first worksheet that can be considered is the one for the 2014 levy, this is initially a two-year look back and will not truly provide for the potential of a five year carry forward until the 2019 levy year.<sup>1</sup>

## Property Tax Levy Rate Limit

The 2013-15 State Budget eliminated levy rate limits.

<sup>1</sup> Because some of the provisions of the new law are unclear as to how calculations will be made, the Office of the Comptroller has reached out to the Department of Revenue for guidance.



*In accordance with Generally Accepted Accounting Principles (GAAP), the accounts of the County are maintained on the basis of funds.*

## Basis of Budgeting

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In accordance with Generally Accepted Accounting Principles (GAAP), the accounts of the County are maintained on the basis of funds. Each fund is a separate fiscal and accounting entity. The various funds are grouped into the following categories:

### Governmental Funds

Governmental funds utilize the modified accrual basis of accounting, except for the treatment of the Fund Balance Reserved for Appropriations. For budget purposes, the Fund Balance Reserved for Appropriations is reflected as other financing sources, whereas for accounting purposes it is reflected as part of fund balance.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures and commitments of the current period. Expenditures are recognized when the related liability is incurred, if measurable.

**General Fund** The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

**Debt Service Fund** The Debt Service Fund is used

to account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt.

**Capital Projects Fund** The Capital Projects Fund is used to account for financial resources segregated for the acquisition of construction of major capital facilities other than those financed by proprietary funds.

### Proprietary Funds

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which they are incurred.

**Enterprise Funds** The Enterprise Funds are used to account for operations that provide services which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

**Internal Service Funds** The Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments in the County or to other governmental entities, on a cost-reimbursement basis.

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*The goal of this measurement process will be to identify key performance indicators and link these to core business functions and measurable program outcome across departments.*

## Performance Budgeting

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The Department of Administrative Services — Office of Performance, Strategy and Budget (DAS-PSB), began to develop a comprehensive, countywide performance measurement initiative in 2017. The goal of this measurement process will be to identify key performance indicators and link these to core business functions and measurable program outcomes across departments.

This endeavor builds on prior performance management efforts. Combined with a countywide Strategic Planning initiative, performance measurements will provide the backbone of analysis to set County budget priorities going forward. The framework DAS-PSB has implemented for development of performance measurement systems is found in the criteria for the Malcolm Baldrige Performance Excellence Award.

### Mission Statement & Strategic Outcomes

The County is now integrating its budget process with a larger move towards performance management. Components of the County's mission statement, developed through a strategic planning process in the 1990s, have been incorporated into a set of Strategic Outcomes. The County's mission statement reads as follows:

***Milwaukee County Government will provide high-quality, responsive services that enhance self-sufficiency, personal safety, economic opportunity and quality of life for all its people.***

Based on the Mission Statement and the strategic planning process, the Strategic Outcomes to be achieved by Milwaukee County are as follows:

- High Quality, Responsive Services
- Enhancement of Self-Sufficiency
- Enhancement of Personal Safety
- Enhancement of Economic Opportunity
- Enhancement of Quality of Life

The Milwaukee County Budget links each program area within its departments with one of these Strategic Outcomes where appropriate. For instance, the Operations Division at the Zoo is targeted at the Strategic Outcome of enhanced quality of life, and the Department of Child Support Services will work towards the Strategic Outcome of enhanced self-sufficiency. Only the primary Strategic Outcome is listed, but that many services achieve multiple Strategic Outcomes (for instance, those programs that primarily achieve Personal Safety certainly contribute to Quality of Life). For administrative program areas that primarily support other County operations, the Strategic Outcome will be listed as "Administrative."

### Performance Measures

In addition to linking service areas with Strategic Outcomes, the County budget shows how well the service is being provided. Departments develop performance measures in as many service areas as possible. The goal is to create a collaborative process whereby departments create their own performance measures as a way of challenging their management and staff to continue exemplary performance or improve on their existing performance levels.

The County seeks to develop performance measures that SMART goals, meaning goals that are:

- S = Specific
- M = Measurable
- A = Achievable
- R = Relevant
- T = Time-Bound

Departments make every effort to create iterative performance measures that meet these criteria. Performance measures

differ from activity data, which are also shown (when available) in the service-area narratives. Activity data are an important measure of how much of a service is provided, but do not inform policymakers or the public how well that service is provided. “How well” a service is provided can be a measure of quality – such as ratings on customer surveys or attainment of a positive audit finding, or a measure of efficiency – such as how long it takes to perform a task.

*Unlike most other local governments in Wisconsin and across the country, Milwaukee County's ability to retain unrestricted fund balance is extremely limited.*

## Fund Balance Policy

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Unlike most other local governments in Wisconsin and across the country, Milwaukee County's ability to retain unrestricted fund balance is extremely limited. Wisconsin State Statute 59.60(6)(b)(3) requires Milwaukee County to budget a prior-year surplus or deficit in the next budget year. For example, the \$4.79 million surplus from 2017 must be budgeted as revenue in the 2019 budget. There are two alternatives to this requirement:

- The County may, under State Statute 59.60(5)(g), place surplus funds in a "sinking fund" for the "redemption or repurchase of bonds," or for emergency needs. This sinking fund is referred to as the Debt Service Reserve Fund in Milwaukee County. In 2013, the County passed a resolution that split the 2012 surplus so that \$5 million would be applied to the 2014 budget, and the remainder deposited into the Debt Service Reserve Fund. It is the policy of Milwaukee County to maintain a balance of no

less than \$10 million in this fund.

- State Statute 59.60(13)(b)(3) provides for a tax stabilization fund, into which surpluses may also be deposited. However, this statute allows the County to utilize this fund only in order to prevent a tax levy increase of 3 percent or greater over the prior year. In 2013, Wisconsin Act 20 (the State's 2013-2015 biennial budget) retained limits on property tax levy increases that make this occurrence highly unlikely. To date the County has not utilized this fund.

Due to these statutory restrictions, the County is not able to develop an unrestricted fund balance and, therefore, the County has no need to implement an unrestricted fund balance policy. The County has adopted a number of financial policies that govern the use of unanticipated revenues and funds in the Debt Service Reserve Fund. Please see the "Financial Policies" section for further detail.

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*Funds exist to account for and report the proceeds of specific revenue sources that are committed to expenditures for specified purposes.*

## Fund Descriptions

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The following are summaries of the County's budgeted funds. The County's Comprehensive Annual Financial Report considers five of the funds below to be "major funds:" the General Fund, the Airport Fund, the Transit Fund, the Debt Service Fund and the combined Capital Projects Funds.

**General Fund (Fund 0001)** The General Fund is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those resources required to be accounted for in another fund. Various subsidiary funds of the General Fund (below) are assigned a separate fund number for the purpose of tracking State and Federal funding.

**Fleet Management (Fund 0030)** Primary use of this fund is to account for the costs associated with the maintenance, repairs and centralized fueling of all County owned motorized equipment. Costs are billed to user departments based on work orders, time and material costs.

**Behavioral Health Division (Fund 0077)** This fund is used to account for the costs associated with the mental health research, patient activities, special events, and compensated absence payouts for BHD retirees.

**Special Revenue Funds (various)** A number of funds exist in several departments to account for and report the proceeds of specific revenue sources that are committed to expenditures for specified purposes. These funds exist for the Zoo, Department of Parks, Recreation & Culture, Office for Persons with Disabilities, Behavioral Health Division, Fleet Maintenance, Facilities Management, Airport (used for

the collection of Passenger Facility Charge Revenues), and Risk Management.

### **Debt Service Fund (Fund 0016)**

The Debt Service Fund accounts for and reports the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt.

### **Capital Project Fund (various)**

These funds, which are separated by functional area, account for and report the financial resources that are restricted, committed or assigned for the acquisition or construction of major capital facilities and other capital assets.

**Enterprise Funds (various)** Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

**Airport (Fund 0076)** The Airport Fund accounts for the operations of General Mitchell International and Timmerman Airports. Airport passenger facility charges and related capital expenditures are not accounted for in the airport's enterprise fund but are accounted for as a special revenue fund.

**Transit (Fund 0083)** The Transit Fund accounts for the operations of the Milwaukee County Transit System and the Paratransit System.



**Internal Service Funds (various)** Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the County, or to other governmental entities, on a cost-reimbursement basis.

**IMSD (Fund 0026)** This fund is used to account for electronic data processing, graphics, applications, mainframe, desktop support and replacement and telecommunications

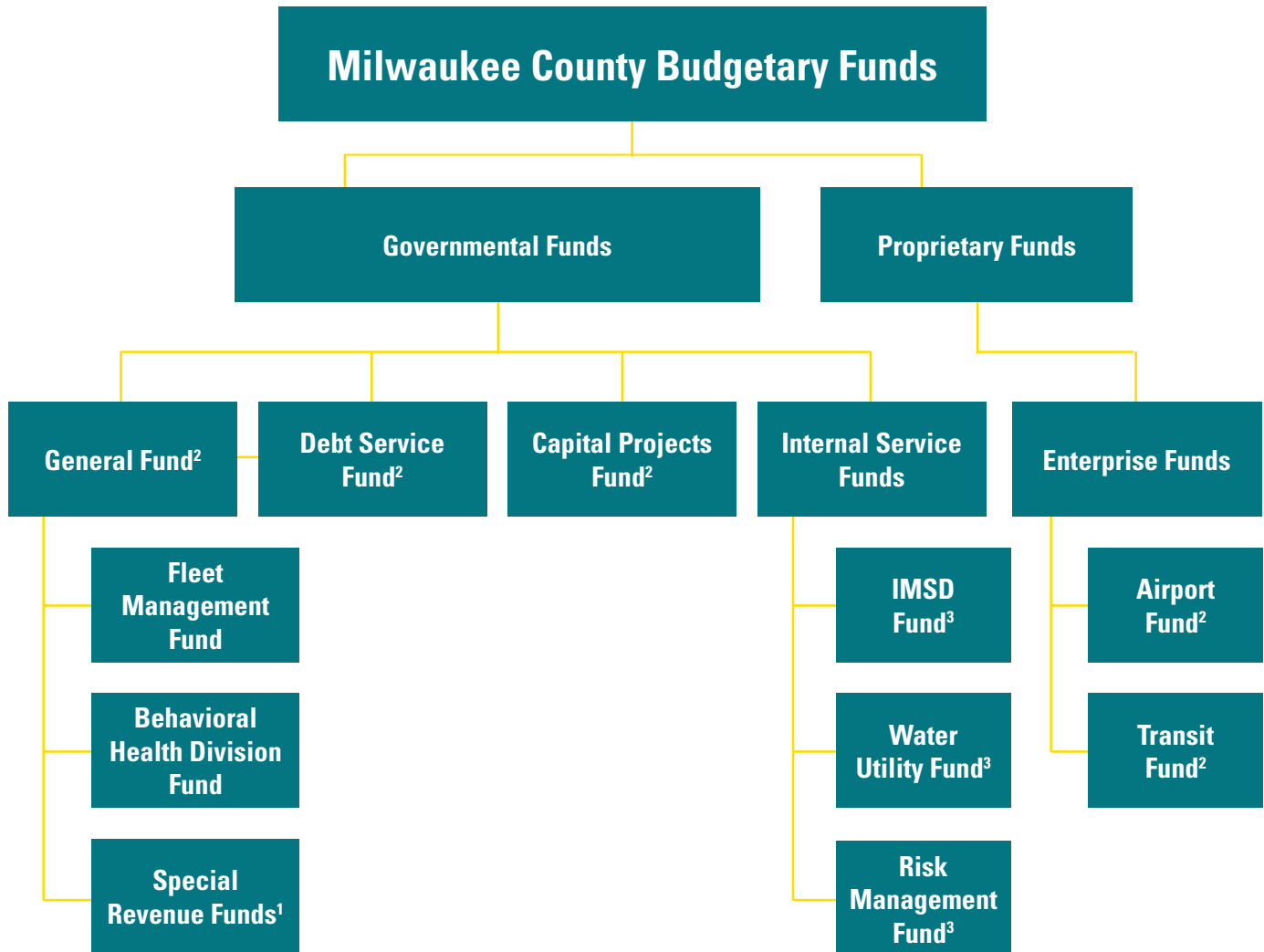
services provided to County departments.

**Water Utility (Fund 0029)** This fund is used to account for maintenance of the water distribution system that is located on the Milwaukee County grounds and provides service to County departments.

**Risk Management (Fund 0040)** This fund accounts for risk financing, loss control and insurance-related activities for the County and its employees.

## Budgetary Funds

This diagram displays the general relationship between fund types budgeted at Milwaukee County. It identifies governmental and proprietary funds. It also demonstrates the relationship between the major funds and non-major funds. This diagram details the general fund and its subsidiaries. It also distinguishes the internal service funds and enterprise funds.



<sup>1</sup> In budgets prior to 2017, Special Revenue Funds were referred to as Expendable Trust Funds. The naming convention was changed to be consistent with the terminology used to refer to these accounts in the most recent Comprehensive Annual Fiscal Report.

<sup>2</sup> Major Funds include the General Fund, the Airport Fund, the Transit Fund, the Debt Service Fund and the combined Capital Projects Fund.

<sup>3</sup> In budgets prior to 2017, the Information Management Services Fund, Water Utility Fund and Risk Management Fund were categorized as proprietary funds. The organization of this table was changed to be consistent with organization used in the most recent Comprehensive Annual Fiscal Report.

## 2019 Functional Area by Fund Type Summary

### REVENUES

Functional Area	General <sup>1</sup>	Enterprise	Internal Service <sup>2</sup>	Debt	Capital Projects	TOTAL
Legislative & Executive	13,000					13,000
Administration	15,070,743		4,624,671		24,102,231	43,797,645
General Government	12,960,766					12,960,766
Courts & Judiciary	29,951,024					29,951,024
Public Safety	28,795,347					28,795,347
Transportation & Public Works	36,591,861	206,170,283			83,469,254	326,231,398
Health & Human Services	259,306,646				701,516	260,008,162
Parks, Recreation & Culture	39,631,623				16,046,735	55,678,358
Debt Service				14,468,633		14,468,633
Non-Departmental Revenues	111,517,415					111,517,415
Non-Departmental Expenditures	10,076,623					10,076,623
TAX LEVY	294,128,329					294,128,329
<b>TOTAL</b>	<b>\$838,043,377</b>	<b>\$206,170,283</b>	<b>\$4,624,671</b>	<b>\$14,468,633</b>	<b>124,319,736</b>	<b>\$1,187,626,700</b>

### EXPENDITURES

Functional Area	General <sup>1</sup>	Enterprise	Internal Service <sup>2</sup>	Debt	Capital Projects	TOTAL
Legislative & Executive	2,428,538					2,428,538
Administration	45,278,929		29,097,814		24,227,231	98,603,974
General Government	8,242,574					8,242,574
Courts & Judiciary	53,162,409					53,162,409
Public Safety	115,231,410					115,231,410
Transportation & Public Works	36,154,478	214,921,260			83,469,254	334,544,992
Health & Human Services	350,176,013				701,516	350,877,529
Parks, Recreation & Culture	62,052,090				16,046,735	78,098,825
Debt Service				48,979,070		48,979,070
Non-Departmental Revenues						0
Non-Departmental Expenditures	97,457,379					97,457,379
<b>TOTAL</b>	<b>\$770,183,820</b>	<b>\$214,921,260</b>	<b>\$29,097,814</b>	<b>\$48,979,070</b>	<b>\$124,444,736</b>	<b>\$1,187,626,700</b>

<sup>1</sup> General fund includes subsidiary funds as noted in the Fund Descriptions section. These subsidiary funds include Fleet Management, Central Services, Behavioral Health Division and Expendable Trust Funds.

<sup>2</sup> Due to a change in crosscharge methodology, revenues and expenses in the Internal Service fund are not equivalent in the 2019 Budget.

## Budgetary Unit–Fund Relationship

This chart presents each budgetary unit's relationship to the Milwaukee County budgetary funds. The budget units are grouped by function. The funds are grouped by fund type. Funds in light teal are governmental funds. Funds in light yellow are proprietary funds. A check mark indicates that the budgetary unit utilizes that particular fund.

Budgetary Unit	Fleet Management (0030)	Behavioral Health (0077)	Special Revenue (various) <sup>1)</sup>	Information Management Services Fund (0026) <sup>3)</sup>	Water Utility Fund (0029) <sup>3)</sup>	Risk Management Fund (0040) <sup>3)</sup>	General Fund (0001) <sup>2)</sup>	Debt Service (0016) <sup>2)</sup>	Capital Projects (various) <sup>2)</sup>	Transit Fund (0083) <sup>2)</sup>	Airport Fund (0076) <sup>2)</sup>
	Non-Major Funds & Other Fund Types <sup>3</sup>						Major Governmental Funds			Enterprise Funds	
Legislative & Executive Function											
County Board of Supervisors							✓				
County Exec. — Gen'l Office							✓				
County Exec. — Gov Affairs							✓				
County Exec. — Vet's Svcs							✓				
Administrative Function											
Corporation Counsel							✓				
Civil Service/Pers Rev Bd							✓				
Human Resources							✓				
Dept of Admin Svcs (DAS)			✓				✓				
DAS — Risk Management						✓					
DAS — Information Svcs.				✓							
DAS — Water Utility					✓						
Ethics Board							✓				
Office On African American Affairs							✓				
Courts & Judiciary Function											
Combined Court Operations							✓				
Courts — Pre Trial Services							✓				
Child Support Services							✓				
Public Safety Function											
Office of the Sheriff							✓				
House of Correction							✓				
Office of the District Attorney							✓				
Emergency Management							✓				
Medical Examiner							✓				
General Government Function											
Office of the Comptroller							✓				
Office of the Clerk							✓				
Office of the Register of Deeds							✓				
Office of the Treasurer							✓				

(CHART CONTINUES ON NEXT PAGE)

	Fleet Management (0030)	Behavioral Health (0077)	Special Revenue (various) <sup>1</sup>	Information Management Services Fund (0026) <sup>3</sup>	Water Utility Fund (0029) <sup>3</sup>	Risk Management Fund (0040) <sup>3</sup>	General Fund (0001) <sup>2</sup>	Debt Service (0016) <sup>2</sup>	Capital Projects (various) <sup>2</sup>	Transit Fund (0083) <sup>2</sup>	Airport Fund (0076) <sup>2</sup>
Budgetary Unit	Non-Major Funds & Other Fund Types <sup>3</sup>						Major Governmental Funds			Enterprise Funds	
Transportation & Public Works Function											
Director's Office							✓				
Airport											✓
Transportation Services							✓				
Highway Maintenance							✓				
Fleet Management	✓										
Transit										✓	
Health & Human Services Function											
Health & Human Services							✓				
Behavioral Health Division		✓	✓								
Department on Aging							✓				
Parks, Recreation & Culture Function											
Parks, Recreation & Culture							✓				
Zoo			✓				✓				
Univ of Wisc – Extension							✓				
Cultural Contributions							✓				
Debt Service Function											
Debt Service								✓			
Non-Departmental Expenditures Function											
Non-Departmental Expenditures							✓				
Non-Departmental Revenues Function											
Non-Dept. Revenues Function							✓				
Capital Improvements Function											
Capital Improvements									✓		

<sup>1</sup> In prior budgets Special Revenue Funds were referred to as Expendable Trust Funds. The naming convention was changed to be consistent with the terminology used to refer to these accounts in the most recent Comprehensive Annual Fiscal Report.

<sup>2</sup> Major Funds include the General Fund, the Airport Fund, the Transit Fund, the Debt Service Fund and the combined Capital Projects Funds.

<sup>3</sup> In prior budgets the Information Management Services Fund, Water Utility Fund and Risk Management Fund were categorized as proprietary funds. The organization of this table was changed to be consistent with organization used in the most recent Comprehensive Annual Fiscal Report.



## Budget Summary

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2019 Budget FAQs

Trends in State Aid

County Share of Property Tax Levy

Tax Levy Summary

Budget Assumptions

Long-Range Fiscal Analysis

Closing the 2019 Budget Gap

Expenditure Analysis

Revenue Analysis

Countywide FTE Positions

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*The County's structural budget deficit exists because ongoing costs continue to grow faster than revenues.*

## 2019 Budget FAQs

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A budgetary best-practice recommended by the Government Finance Officers Association (GFOA) is to provide a list of the questions that might be most frequently asked about this year's budget. This is the familiar term FAQs. Some of the most pertinent questions related to the budget are as follows:

### **How much would this budget raise my property taxes?**

The change in individual property tax bills is subject to a number of factors, including changes across the County in equalized values and tax levy changes made by local governments, the state of Wisconsin and other taxing districts.

The cost to operate County government makes up approximately 16% of the total property taxes levied, so other units of government and taxing districts combined have a significant impact on your individual property tax bill. The 2019 Recommended Budget property tax levy increases by \$1.3 million over the 2018 level of \$292.8 million. This means that individual tax payers may see a change in the County's share of taxes on their bills due to a combination of changes in equalized value across the County and in the total amount of tax levied. The countywide increase in equalized property value was 4%. Of that, 1.43% was the result of new construction. The average homeowner's tax bill will not be impacted by the increase in the total property taxes levied.

### **What are the key assumptions contributing to the County's structural budget deficit?**

The County's structural budget deficit exists because

ongoing costs to continue grow faster than revenues. The Comptroller's Five-Year Financial Forecast concludes that, on average, revenues will grow by just 0.9% while expenditures will grow by 2.3%. Limited revenue growth is caused by State caps on local tax collections (property tax and sales tax), combined with steady or declining state and federal revenue. Average expenditure growth of 2.3% represents approximately the rate of inflation, or the cost to continue at the current level of operations. Historically, pension and health care costs have increased at a rate which exceeds inflation and these fringe benefit expenses have a significant impact on the structural deficit. For the 2019 budget, fringe benefits expenses are approximately flat compared to the 2018 budget. This is largely the result of high investment returns recently experienced in the pension fund, and the County has recently experienced lower than previously anticipated growth rates in medical costs.

### **Why is the pension contribution increasing?**

Pension costs are expected to see some increases over a five-year forecast period. The minimal increase in 2019 is projected to be \$250,000. The employee contribution will remain unchanged from 2018.

### **What is the Vehicle Registration Fee?**

Milwaukee County is responsible for maintaining nearly 600 miles of roads, 96 bridges and a fleet of buses. Declining state and federal funding have forced Milwaukee County to divert around \$25 million per year in capital funding in order to maintain the infrastructure maintenance and level of service. Wisconsin State Statute 341.35(1) allows local governments to establish and implement a Vehicle Registration Fee (VRF) in addition to the regular annual fee

paid for a vehicle. The fee applies to vehicles kept in the municipality or county where the vehicle is registered. This fee was first included in the 2017 Adopted Budget for Milwaukee County. Revenues from this fee can only be used for transportation related activities like roads, bridges, trails and public transportation. In 2019, the annual Vehicle Registration fee charged by Milwaukee County will remain \$30.

## Will health care contributions continue to increase?

Over the past year, medical care costs for Milwaukee County have seen a 3% inflationary increase. Over the past few years, Milwaukee County realigned the insurance coverage to more closely mirror the market for comparable organizations resulting in small increases to monthly premium contributions for some employees. However, in 2019 these monthly contributions will remain at 2018 levels for employees.

Milwaukee County Health Care Monthly Premiums 2018-19		
	2018	2019
Single	\$138	\$138
EE+Child	\$193	\$193
EE+Spouse	\$276	\$276
EE+Family	\$304	\$304

## How will the County balance the budget?

County expenses are projected to grow an average of 2.3% annually while revenue is growing at only 0.9% per year. In order to reduce this gap, the 2019 budget includes the following initiatives to expand revenues.

**Investments in Revenue Initiatives:** One goal of the 2019 budget is to find financial opportunities to expand the County's revenues. The initiatives include:

- Increasing the property tax levy.
- Personal Property Aid revenue.
- Collection of Online Sales Tax beginning in October 2018.

**Investments in Information Technology:** Funding is provided in the 2019 budget for major information technology related projects that include:

- Enterprise Resource Planning (ERP) software.
- mCase, a case management initiative to support the Department of Health & Human Services.
- Office of Emergency Management Computer-Aided

- Dispatch Initiative.
- Parks point-of-sale system.

**Reducing the County's Footprint:** The 2019 budget continues to minimize outstanding maintenance requirements by reducing infrastructure that is outdated and expensive to maintain. The 2019 budget reflects the anticipated planned sale and transfer of the County's Water Utility to the Milwaukee Regional Medical Center (MRMC) and the City of Wauwatosa. The budget also includes the anticipated sale of County Grounds land to MRMC member organizations, which will release the County from infrastructure improvements and maintenance responsibilities and costs.

**Efficiency Measures:** The 2019 budget continues significant changes to how the County provides many of its internal administrative functions, with the goal of providing significant time and cost savings in the long-term. These efforts include:

- Purchase and implementation of Enterprise Resource Planning Software to consolidate over 50 different business processes and systems into one integrated system.
- Ongoing utilization of Continuous Improvement processes that adopt lean-management principles.
- Strengthening financial management policies that will direct large, unanticipated one-time revenues to projects that enhance efficiency, drive economic development and build debt reserves for the future pre-payment of debt obligations.

**Investment in Workforce:** The 2019 budget includes continued investment in the County's workforce. These efforts include:

- \$3.1 million for equity pay increases, which includes the full annualized value of increases approved in 2018 and new equity increases at midyear 2019.
- Partial year funding for 2019 COLA (1%).
- Stabilize pay for everyone and increase pay for those below market.
- Fund a tuition reimbursement program and training fund.

**Utilize One-Time Revenues Properly:** The use of one-time, non-recurring revenues to finance ongoing, long-term operations is not sustainable. The 2019 budget continues to implement sound financial policies regarding the use of one-time revenues.

## What are the key capital investments being made in this budget?

The 2019 Recommended Capital Budget includes more than \$124.4 million in capital investments in the County's

infrastructure. Total County cash financing of \$36.2 million is included in the 2019 Capital Budget.<sup>1</sup>

The 2019 Capital Budget continues to emphasize improving County infrastructure and assets while managing long-term costs. Highlights include:

- \$31 million for Bus Rapid Transit (BRT).
- \$13.4 million for the 2019 Bus Replacement Program.
- \$13.4 million for the Underwater Hippo Exhibit at the Milwaukee County Zoo.
- \$6.8 million for continuation of Milwaukee County's Enterprise Platform Modernization.

- \$5.5 million for the GMIA Physical Access Control System Upgrade.
- \$3.7 million for general fleet equipment.
- \$1.8 million for facility improvements to the Courthouse, Criminal Justice Facility & Safety Building.

### What is the impact of the budget on compensation for County employees?

There will be no increases in health care premiums or employee pension contributions for 2019. The table below illustrates an example of compensation changes from recent budgets.

## Budget Effects on County Employees (2017-2019)

	Health Care Plans			
	Employee Only	Employee + Child	Employee + Spouse	Employee + Family
Base Salary (01/01/2017)	\$75,584	\$75,584	\$75,584	\$75,584
Increase in Health Premium	—	(\$120)	(\$120)	(\$240)
2017 COLA	\$756	\$756	\$756	\$756
Change in Pension	—	—	—	—
2018 Base Salary	\$76,320	\$76,200	\$76,200	\$76,080
2018 COLA PP14	\$381	\$381	\$381	\$381
Increase in Health Premium	(\$96)	(\$276)	(\$432)	(\$408)
Change in Pension	—	—	—	—
2019 Base Salary	\$76,605	\$76,305	\$76,149	\$76,053
2019 COLA PP14	\$383	\$383	\$383	\$383
Increase in Health Premium	—	—	—	—
Change in Pension	—	—	—	—
<b>2019 Total Compensation</b>	<b>\$76,988</b>	<b>\$76,688</b>	<b>\$76,532</b>	<b>\$76,436</b>

<sup>1</sup> County cash financing primarily consists of sales tax and property tax levy for non-Airport capital projects while the Airport-related capital projects are cash financed mainly through Passenger Facility Charges and Airport Reserves. The Vehicle Registration Fee (VRF) was introduced as part of the 2017 Adopted Budget and is recognized as a County cash contribution. Typically, private contributions are one-time (non-County) allocations to specific capital projects pursuant to specific agreement(s). In order to more accurately account for the true County cash (i.e. sales tax, property tax and VRF) capital contribution requirement for non-Airport projects, private contributions are excluded. The 2019 Capital Budget includes private contributions of \$13.6 million.

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*State Aid to municipalities has significantly decreased when compared to state revenue generated by those municipalities.*

## Trends in State Aid

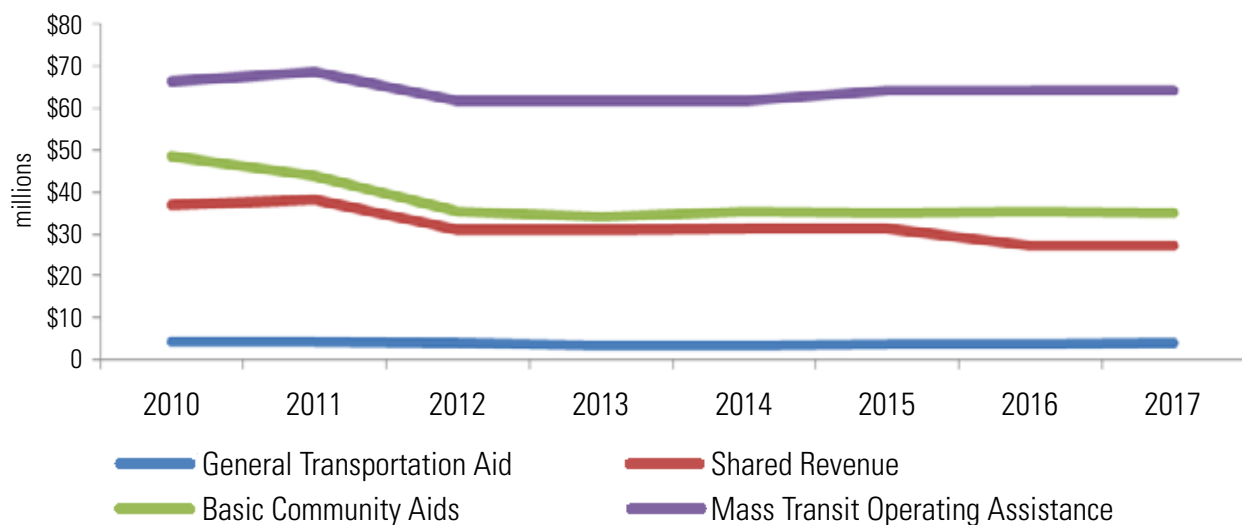
A significant portion of the County's revenue comes from the State of Wisconsin. To understand the fiscal constraints the County is under it is important to understand the recent history of State taxes and aids to municipalities.

As the tables below illustrate, State Aid to municipalities has followed a flat or declining trend in recent years. In August 2018, the Public Policy Form (now known as the Wisconsin Policy Forum) examined State Aid trends for several funding sources that the State provides to the County for programmatic support. Specific funding

sources examined include General Transportation Aid, Basic Community Aids, Shared Revenue, and Mass Transit Operating Assistance. Specifically, in 2010, Milwaukee County received \$66.5 million of Mass Transit Operating Assistance; in 2017 the county only received \$64.2 million, reflecting a reduction in State funding for the County's transit system. Basic Community Aids, which support human services programs, have declined from \$48.6 million in 2010 to \$35.0 million in 2018. State Shared Revenue, which provides unrestricted aid to the County, has declined from \$37.0 million in 2010 to \$27.3 million in 2017.

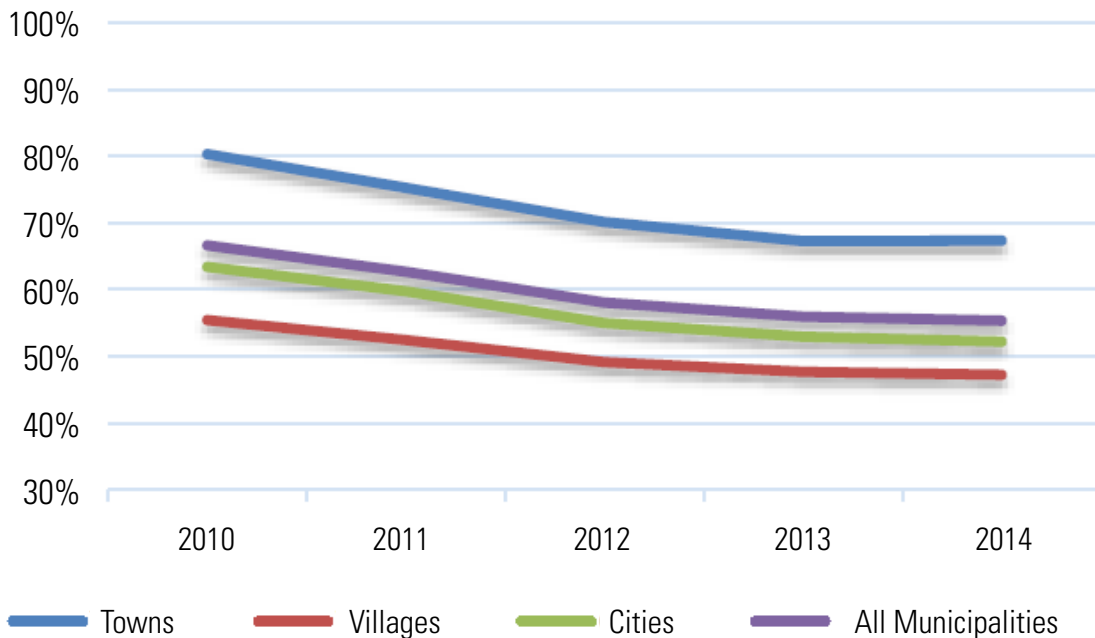
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### Actual State Aid Trends (2010–2017)



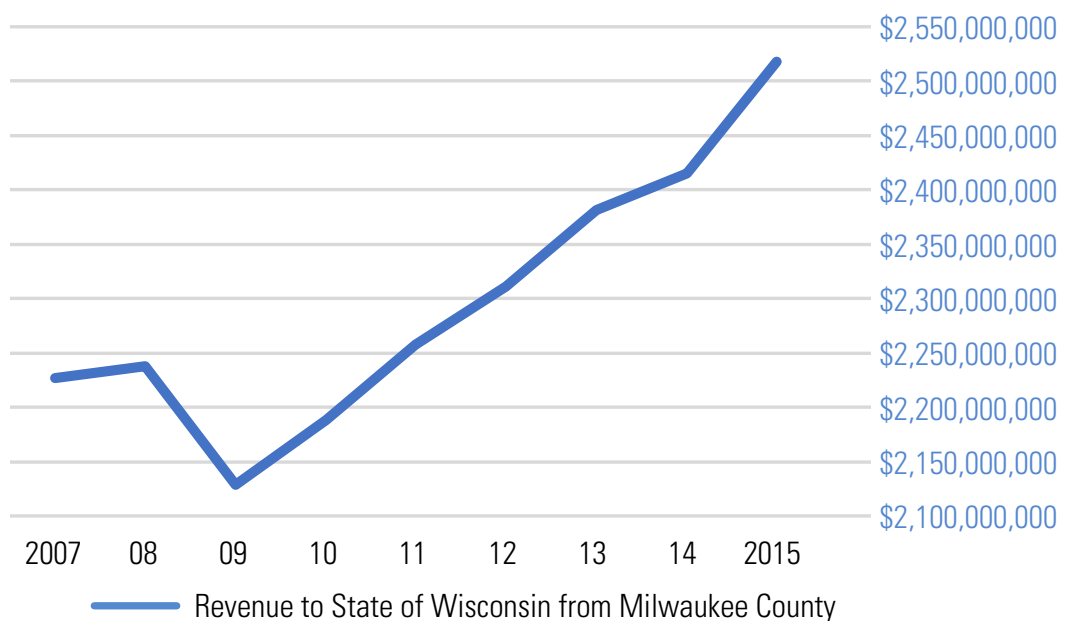
Source: Chart created on September 9, 2018 by Milwaukee County Department of Administrative Services, from most recent data available. Based on the August 29, 2017, "Milwaukee County Finances: 'Big Picture'" Public Policy Forum (now known as Wisconsin Policy Forum) presentation to the Retirement Sustainability Taskforce.

## State Aid as % of State Revenue



Source: Wisconsin Department of Revenue, "State Taxes and Aids by Municipality and County for Calendar Year 2014" (2014) available at <https://www.revenue.wi.gov/DORReports/14StateTaxesandAidsByMuniCo.pdf> (this report has been discontinued and a new updated report is not available from the State of Wisconsin Department of Revenue at this time).

## Milwaukee County Revenue to the State Trends



Source: Chart created by Milwaukee County Department of Administrative Services, from most recent data in Wisconsin Department of Revenue, "State Taxes & Aids By Municipality and County For Calendar Year 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014" available at <https://revenue.wi.gov/Pages/Report/s.aspx#shared>. (This report has been discontinued and a new updated report is not available from the State of Wisconsin Department of Revenue at this time.) Note: Data excludes approximately \$25 million paid from State to County for the Economic Support Division which was moved to State in 2009.

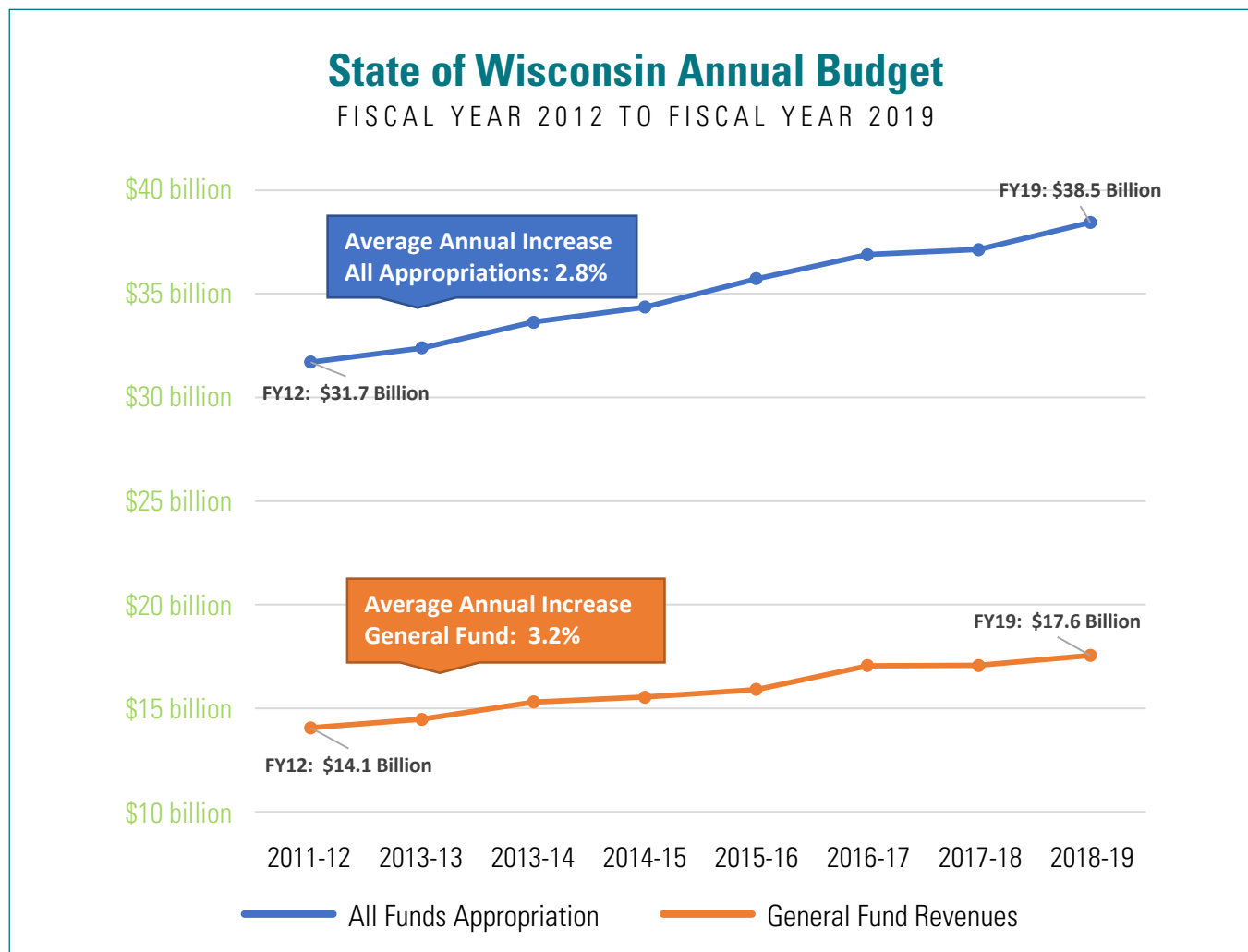
General Transportation Aid has remained relatively flat at approximately \$4.0 million from 2010 to 2017. Combined, these four revenue sources have been reduced from \$156.5 million in 2010 to \$130.3 million in 2017. The majority of this reduction occurred between 2010 and 2012 and was primarily the result of Wisconsin Act 10 which impacted collective bargaining, compensation, and employee benefits. In addition, the State assumed responsibility for the Income Maintenance program in 2010 and this led to a reduction in Basic Community Aids in 2012. Since 2012, these revenue sources have been reduced by a combined total \$1.6 million, from \$132.0 million to \$130.3 million. This results in a lack of available funds for inflationary or other cost increases, which contributes to the County's structural deficit.

Data from the State of Wisconsin Department of Revenue illustrates that these trends are not isolated to Milwaukee County alone. The "State Aid as % of State Revenue" graph shows that State Aid to all municipalities has significantly decreased when compared to the state revenue generated by those municipalities. For example, all municipalities received approximately 68% of the revenue they sent to

the state in 2010, but only about 55.39% in 2014. For the region of Milwaukee County, Washington County, Ozaukee County, Waukesha County, Walworth County, Racine County and Kenosha County (M7 Region) the average percentage was much lower at 46.81% in 2014. This means that of the revenue collected by the state in the M7 area (i.e. sales tax and income tax), only 46.81% of those funds were returned to M7 communities in 2014.<sup>1</sup> As of 2015, this same data is no longer available from the Department of Revenue. However, State data for Milwaukee County shows that Income Taxes and Sales and Use Taxes from the period of 2012 to 2016 have continued to increase, by approximately \$91.1 million<sup>2</sup> and \$84.0 million<sup>3</sup> respectively.

Regardless of the nuances of how these numbers are generated, the bottom line is that municipalities, including Milwaukee County are receiving substantially less than they have in previous years. In Milwaukee County this has happened despite the revenue generated for the state by Milwaukee County taxpayers has increased from approximately \$2.1 billion in 2009 to over \$2.5 billion in 2015 (as shown in the "Milwaukee County Revenue to the State Trends" graph).<sup>4</sup>

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Increased state revenue from municipalities has been used for other state purposes and largely not shared with municipalities. At the same time, property tax has been limited by the State, and the County is restricted from increasing other revenue streams such as sales tax. This results in extraordinary pressure on the existing property tax levy, and the need to raise additional revenue through user fees, including the vehicle registration fee. In Milwaukee County, flat or declining State Aid revenues have continued, despite the increased revenue generated for the state by Milwaukee County taxpayers.

As indicated in the “State of Wisconsin Annual Budget” graph on page 61, while the amount of revenue sent from Milwaukee County to the State of Wisconsin has increased, the amount of revenue the State sends back to Milwaukee County has been largely flat and in some instances has decreased. Meanwhile, the State of Wisconsin total budget has continued to increase. In 2011-12, State of Wisconsin appropriations for all funds totaled \$31.7 billion. The 2018-19 budget includes \$38.5 billion in appropriations across all funds. This represents a 21% increase over seven years, or an average increase of 2.8% per year. The State of Wisconsin’s General Fund budget, which is the primary fund from which state expenses are paid, has followed a similar trend. In 2011-12, the State of Wisconsin General Fund

revenue budget totaled \$14.1 billion. By 2018-19, this amount increases to \$17.6 billion. This reflects a 25% increase over seven years, or an average increase of 3.2% per year.<sup>5</sup>

Meanwhile, analysis prepared by the Milwaukee County Comptroller’s Office indicates that Milwaukee County revenues are growing by less than 1% per year. Each year, the Comptroller’s Office prepares a Five Year Financial Forecast, which is a tool for helping policymakers and the public understand future challenges and opportunities of the County budget. Similar to past years, the 2019 to 2023 forecast concludes that inflationary cost increases will not be offset by projected revenue increases. Expenditures are projected to grow by 2.3% on average, similar to the rate of inflation, while revenues grow by an average of just 0.9%. Limited revenue growth is caused by State mandated caps on locally collected revenues (property tax and sales tax), combined with flat and reduced revenues received from the State and Federal government. This results in a structural deficit for Milwaukee County which the Comptroller’s forecast projects to be \$16.8 million in 2019 and increasing to \$79.8 million by 2023 if actions are not taken to close the budget gap. This forecast highlights a need for additional revenue to support sustainable County operations. The forecast is described in more detail in the Long-Range Fiscal Analysis of the budget document.

- 1 Data taken from Wisconsin Department of Revenue, “State Taxes and Aids by Municipality and County for Calendar Year 2014 (2014) available at <https://www.revenue.wi.gov/DORReports/14StateTaxesandAidsByMuniCo.pdf> (this report has been discontinued and a new updated report is not available from the State of Wisconsin Department of Revenue at this time).
- 2 Data taken from the State of Wisconsin, Department of Revenue, Reports September 8, 2018, Report I, “Income, Wisconsin Municipal Income Per Return Report (AGI)”, 2012, 2013, 2014, 2015, 2016.
- 3 Data taken from the State of Wisconsin Department of Revenue, Reports September 8, 2018, Report S, Sales Tax, County Sales Tax Distributions, Interactive Data.
- 4 Wisconsin Department of Revenue, “State Taxes & Aids By Municipality and County For Calendar Year 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, available at <https://revenue.wi.gov/Pages/Report/s.aspx#shared> (this report has been discontinued and a new updated report is not available from the State of Wisconsin Department of Revenue at this time).
- 5 Wisconsin Department of Administration, Enacted Budget, available at <https://doa.wi.gov/Pages/StateFinances/CurrentBiennialBudget.aspx>.

Cost to Continue				
	Expenditure	Revenue	Structural Deficit	Cost-to-Continue*
2018	\$1,056,556,396	\$1,056,556,396	—	
2019	\$1,076,871,733	\$1,060,056,855	(\$16,814,878)	(\$16,814,878)
2020	\$1,105,079,570	\$1,071,217,035	(\$33,862,535)	(\$10,475,548)
2021	\$1,130,542,394	\$1,077,257,807	(\$53,284,587)	(\$10,366,194)
2022	\$1,157,052,901	\$1,089,885,022	(\$67,167,879)	(\$13,883,292)
2023	\$1,183,483,449	\$1,103,716,485	(\$79,766,964)	(\$12,599,085)
			<b>Average Gap:</b>	<b>(\$12,827,799)</b>
<p>* Cost-to-continue assumes that the prior year gap was eliminated with long-term solutions.</p> <p>* For 2020, the increase in pension contribution of \$6.6 million is considered an outlier and removed from cost-to-continue.</p> <p>* For 2021, the loss of \$9.0 million in Doyle Hospital revenue is considered an outlier and removed from cost-to-continue.</p> <p>Source: Office of the Comptroller<sup>1</sup> from the Office of the Comptroller, Milwaukee County Five-Year Financial Forecast 2019-2023, August 2018.</p>				

*In 2018, of the \$1.70 billion total property taxes paid, Milwaukee County government makes up about 17.3 percent.*

## County Share of Property Tax Levy

The 2019 Budget for Milwaukee County levies approximately \$294 million in taxes on property during the year, which is approximately \$1.3 million over the 2018 Adopted Budget.

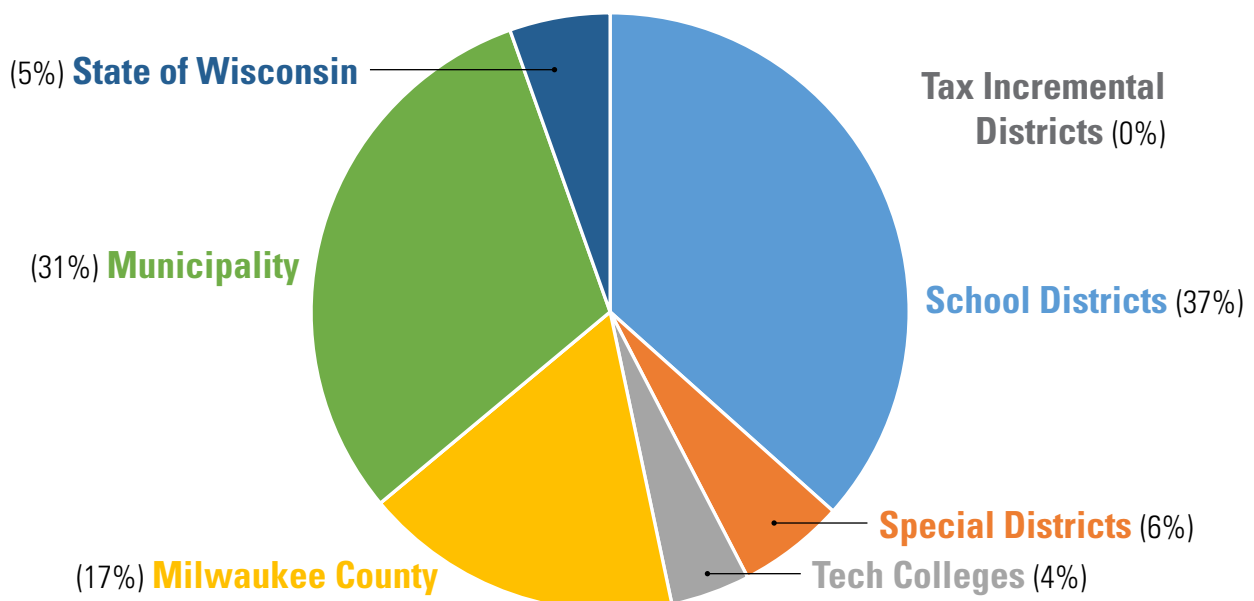
In 2018, according to data gathered by the Wisconsin Policy Forum, citizens and business will pay a total of approximately \$1.70 billion in property taxes to the various taxing entities in the County. These entities include:

- Milwaukee County government.

- Municipal governments (cities & villages).
- School districts.
- Technical colleges.
- The State of Wisconsin.
- Special districts (such as the Milwaukee Metropolitan Sewerage District or the Southeast Wisconsin Regional Planning Commission).
- Tax Incremental Finance districts.

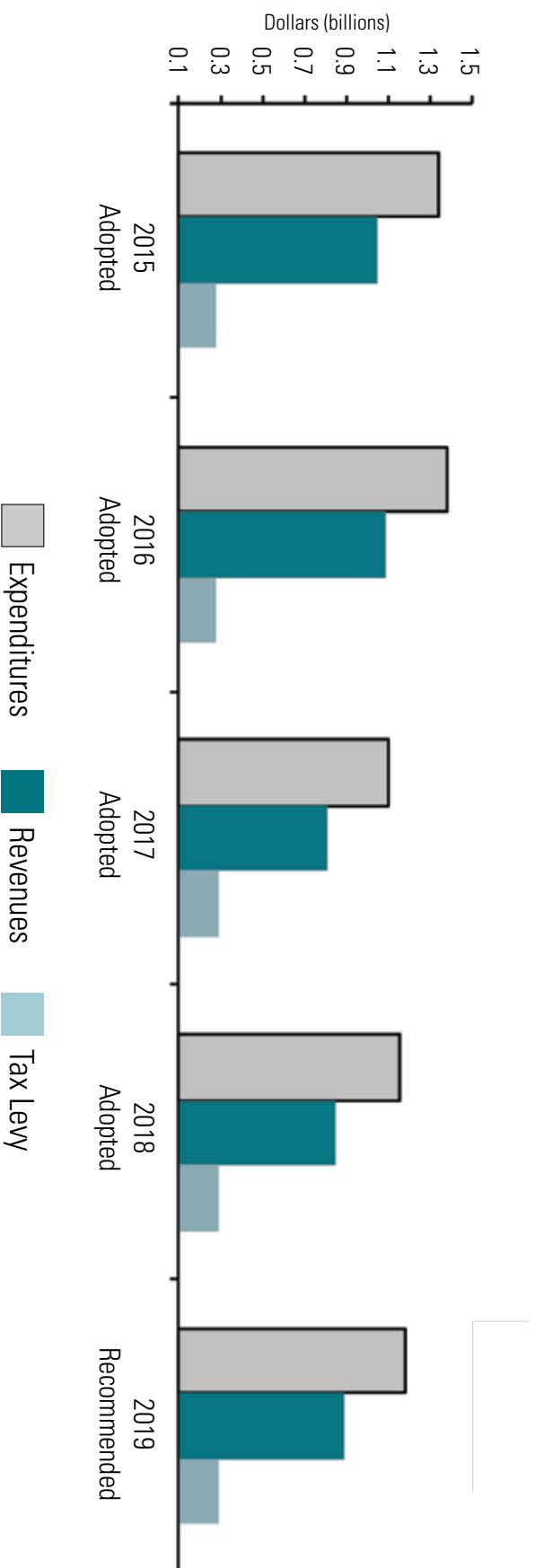
Of this \$1.70 billion total, Milwaukee County government makes up about 17.3 percent in 2018.

### Distribution of Property Taxes in Milwaukee County



# 2019 BUDGET FOR GENERAL COUNTY PURPOSES

	2018 Adopted Budget	2019 Recommended Budget	Change	Percent
<b>EXPENDITURE</b>	\$1,148,961,486	\$1,187,626,700	\$38,665,214	3.37%
<b>REVENUE</b>	\$856,133,157	\$893,498,371	\$37,365,214	4.36%
<b>TAX LEVY</b>	<b>\$292,828,329</b>	<b>\$294,128,329</b>	<b>\$1,300,000</b>	<b>0.44%</b>



*The County must focus on a long-term strategy to match revenue and expenditure growth, while minimizing the impact of the current year structural deficit.*

## Budget Assumptions

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The Department of Administrative Services Office of Performance, Strategy & Budget (PSB) and the County Executive utilized the most recent version of the five-year forecast, produced by the Office of the Comptroller, to develop broad assumptions about the 2019 budget. The figures below represent some of the significant known or estimated items that have been considered throughout the budget process.

**Inflationary Concerns** In the most recent Milwaukee County Comptroller's Five-Year Forecast, expenditures are predicted to increase by 2.3%, while revenues will grow by 0.9%. In line with the latest Five-Year Forecast, the 2019 Budget, expenditures are also forecasted to grow by an average of 2.3% and revenues are forecasted to grow by 0.2% from 2018. The County must focus on a long term strategy to match revenue and expenditure growth, while minimizing the impact of the current year structural deficit. Revenue growth is a factor in the County's annual cost-to-continue.

**Cost to Continue** The Milwaukee County Comptroller's projection demonstrates an average annual cost-to-continue structural deficit of \$12.8 million. This is an estimate of what will be needed by departments based on 2018 current operations. This estimate includes increased personnel costs and inflation.

### Expenditures

**Salaries & Wages** The Comptroller's Five-Year Forecast, assumes expenditures for salaries and wages are expected to increase over 2018 amounts by approximately \$6.9 million or roughly 3.2 percent and includes a 1.0 percent

cost of living adjustment mid-year. In 2019, employee salaries and wages will also increase by a 1 percent Annual Increase Adjustment (approximately \$2.3 million). The 2018 budget included funding for a 1% increase at mid-year and the 2019 budget also includes funding for a 1% increase at mid-year. The 2019 budget also includes approximately \$1.6 million for the annualized value of 2018 equity adjustments and an additional \$1.5 million for 2019 equity adjustments funded at mid-year (\$3.1 million on an annualized basis).

**Pension** The Comptroller's Five-Year Forecast predicts that pension related expenditures will rise only by about \$1.3 million in 2019. Due to high investment returns, the total pension related expenses remain flat in the 2019 budget. The Pension Board has adopted a policy to reduce the assumed rate of return to 7.5 percent in 2020, which will increase the County's annual required contribution in 2020. The change in the assumed rate of return on Milwaukee County pension investments is also included in the Comptroller's forecasted cost-to-continue and will impact the 2020 budget.

**Debt Service Reserve** The 2019 Budget includes the use of \$3.9 million from the Debt Service Reserve.

**Healthcare Costs** The most recent five-year forecast conservatively assumes there is no change in plan design or premiums and no increase to healthcare costs in 2019. The forecast predicts 2019 healthcare expenses to be flat compared to the 2018 budget. This is the result of lower than previously anticipated growth in expenses in 2017 and 2018. However, healthcare costs are expected to increase by about 7.5 percent annually between 2020 and 2023.

## Revenues

**State & Federal Revenues** State and federal revenues make up approximately 30 percent of County revenue in the 2019 Recommended Budget. This is a 1 percent increase from the 29 percent share of total county revenues in the 2018 Adopted Budget. The most recent five-year forecast provides mostly flat projections for state and federal revenues, but highlights a reduction of state revenue in 2019 due to a loss of \$3.2 million, which supported transit operations. The 2019 base budget assumed no change in state revenue from 2018. Federal revenues were also assumed to remain flat.

**Unclaimed Money** Every other year the County Treasurer advertises the possession of unclaimed funds. If these funds are not claimed they become the property of Milwaukee County. The Five-Year Forecast, includes unclaimed money in 2019 and projects this other revenue to increase by the CPI, or 2.3 percent. The budgeted revenue of \$1.3 million is expected to be realized in 2019.

**Go Pass Revenue** The 2019 Transit budget includes a proposed increase in the GO Pass as well as the New Freedom bus pass from \$1 to \$2 per day.

**2017 Surplus** According to state statute, any residual funds at the end of the fiscal year are applied towards the subsequent year's budget. The expected 2017 surplus of \$4.8 million is about \$0.2 million lower than as the surplus applied to the 2018 Adopted Budget.

**Sales Tax** The 2019 Recommended Budget is based on

actual historical collections and economic trends in the region and accounts for the new additional online sales tax revenue. In the 2019 budget, sales tax revenues are expected to grow at approximately 4 percent (\$3.1 million) from the 2018 Adopted Budget. Of this increase, \$1.4 million is due to growth and \$1.7 million increase is due to the addition of the online sales tax collections in Wisconsin, beginning in October 2018.

**Vehicle Registration Fee (VRF)** The 2018 Adopted Budget assumed 12 months of VRF revenue collections at the \$30 rate. The 2019 budget assumes the same rate and time frame; however, based on actuals, the County is expected to realize approximately \$700,000 more in revenue in 2019.

**Property Tax Levy** The five-year forecast assumes that between 2019 and 2023, approximately an additional 1.4 percent in property tax revenue is levied. For 2019 the forecast assumes \$4.1 million in additional tax levy revenue is added. The 2019 budget assumes a property tax levy revenue increase of approximately \$1.3 million. However, in 2018 the state has added an additional revenue, personal property tax aid of about \$1.6 million, which is included in the 2019 budget. The County is able to raise the levy by an amount equal to the net new construction and by an amount equal to the growth in debt service issued after July 1, 2005. The personal property tax aid also offsets the allowable increase in property tax levy. Holding the property tax levy flat would increase the deficit, resulting in the need for the County to find additional alternative revenue sources or expenditure reductions.

*This situation requires continued examination of service delivery models, the prudent use of one-time revenues to drive cost saving operational efficiencies, implementation of new revenue sources and a continual focus on reducing debt.*

## Long-Range Fiscal Analysis

Since 2009, Milwaukee County has utilized a five-year model to forecast future revenues and expenditures. This analysis provides taxpayers, policymakers, and the public with an insight into the fiscal situation faced by the County.

This analysis has consistently shown that the County faces a long-term structural deficit. The most recent five-year model projects expenditures will grow more slowly and revenues will grow more quickly than projected in the past. In the 2019-2023 projection, the 2019 structural deficit is \$16.8 million, about \$14.2 million less than the 2018 forecast of \$31.0 million. On average, over the five-year period from 2019 to 2023, projected revenues increase from \$1.06 billion to \$1.10 billion (0.9% per year) and expenditures increase

from \$1.08 billion to \$1.18 billion (2.3% per year). Compared to the 2018-2022 forecast, annually this change reflects an increase in projected revenues of 0.02% and decrease in projected expenditures of 0.02%. By 2023, the structural deficit is projected to be increased to \$79.8 million.

Substantial drivers of the 2019 structural deficit include:

- Salaries and overtime.
- One-time expenditure reductions included in the 2018 budget.
- Inflationary increases in purchases of services.
- Professional services, service and uses.
- Increases in transit costs.
- Increases in debt service principle/interest.

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### Cost to Continue

	Expenditure	Revenue	Structural Deficit	Cost-to-Continue*
2018	\$1,056,556,396	\$1,056,556,396	—	
2019	\$1,076,871,733	\$1,060,056,855	(\$16,814,878)	(\$16,814,878)
2020	\$1,105,079,570	\$1,071,217,035	(\$33,862,535)	(\$10,475,548)
2021	\$1,130,542,394	\$1,077,257,807	(\$53,284,587)	(\$10,366,194)
2022	\$1,157,052,901	\$1,089,885,022	(\$67,167,879)	(\$13,883,292)
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			<b>Average Gap:</b>	<b>(\$12,827,799)</b>

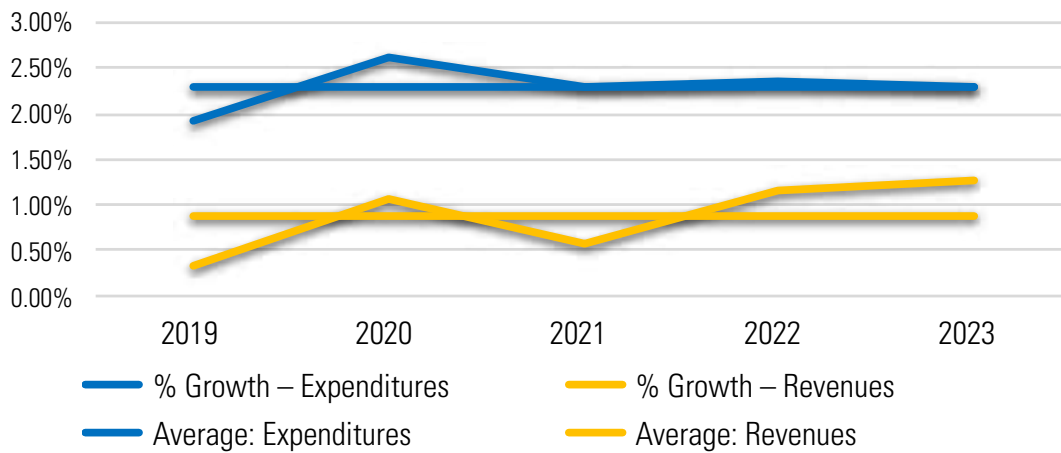
\* Cost-to-continue assumes that the prior year gap was eliminated with long-term solutions.

\* For 2020, the increase in pension contribution of \$6.6 million is considered an outlier and removed from cost-to-continue.

\* For 2021, the loss of \$9.0 million in Doyle Hospital revenue is considered an outlier and removed from cost-to-continue.

Source: Office of the Comptroller<sup>1</sup>

## Forecasted Expenditure & Revenue Percentage Growth & Average Growth



Source: Office of the Comptroller<sup>1</sup>

- Increases in commodities and utilities.
- Stagnant state and federal revenues.
- Elimination of contributions from reserves.

The drivers of the structural deficit is offset by the following assumed revenue increases:

- Sales tax.
- Other revenues.
- BHD health revenue.
- Property taxes.

The forecast shows that labor costs, especially fringe benefits, continue to be a primary driver of this structural imbalance. While decreasing by 1.1% from the 2018-2022 forecast, fringe benefits, including pension and healthcare, will grow by 20.3% during the 2019-2023 forecasted period. This is more than the historically low forecasted projections from 2016 (16.8%) and 2017 (19.4%). It is also lower than the 2012 (36%), 2013 (29%), 2014 (22%), 2015 (21.8%), and 2018 (21.4%) projections. In 2019, the healthcare cost projections remain flat; however, they grow at a rate of 7.5% per year for the rest of the 2019-2023 forecasted period. In 2020, adjustments in the pension fund's assumed rate of return from 7.75% to 7.5% will realign the assumed rate of return more closely with actual investment returns but also increase the County's pension obligation by \$6.6 million. The percentage of personnel costs to total county expenditures remains stagnant compared to the 2018-2022 forecast at about 43%.

While there are some assumed revenue increases, revenues not keeping pace with the county's expenditures are

another driver of the structural deficit. In the 2019 model, revenues are projected to grow at a slightly faster rate (a 0.02% increase) than the 2018 model, at 0.9% annually. Following very similar trends from the 2018 model, Table 2 (see above), demonstrates the anticipated revenues and expenditure growth for the upcoming five-year period. This graph highlights how, expenditures peak in 2020 (correlating with the County's increased pension obligation mentioned above) and then remain flat at 2.3% growth throughout the forecast period. Revenues also spike in 2020. After 2020, revenues drop off sharply. This decline is primarily due to the slow revenue growth rate and a loss of the Froedtert Hospital payment to the County for the sale of Doyme Hospital. By 2023 revenues have increased to approximately a 1.3% growth rate, however despite this positive trajectory, increased expenditure growth is still forecasted to exceed revenue growth by about 1%. The illustration demonstrates the need for a continued, long term focus on aligning revenues and expenditures.

### Expenditures Continue to Grow Faster Than Revenues

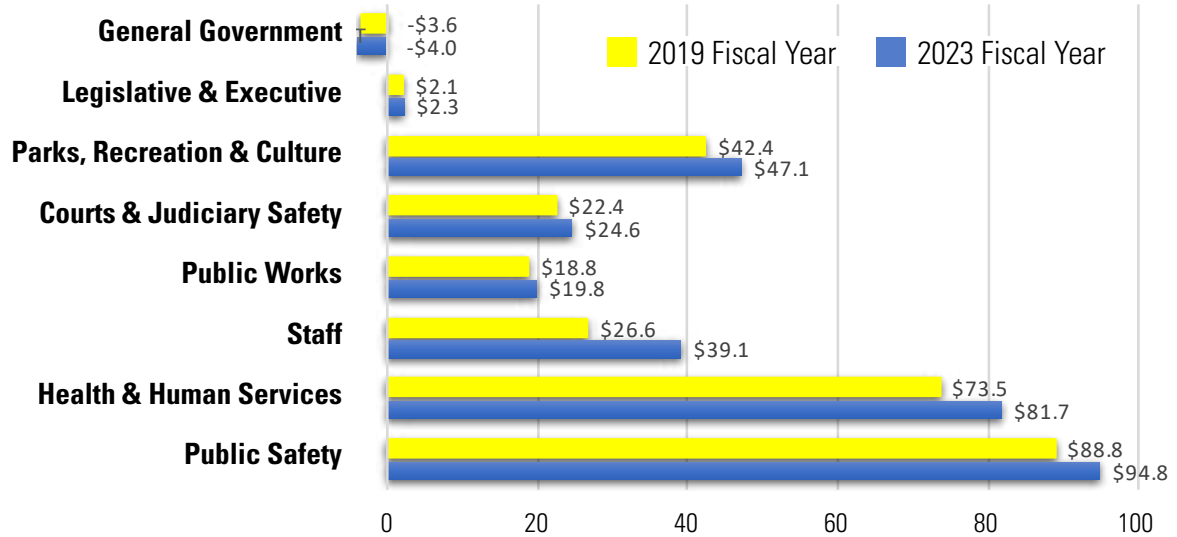
For long-term sustainability, expenditures and revenues should have the potential to grow at the same rate. Due to the mismatch of growth rates between projected County expenditures (2.3%) and revenues (0.9%), the County should continue to focus on realigning revenues and expenditures. Expenditures are now forecasted to rise 2.3% annually, a 0.2% decrease over 2018's projections and 0.1% increase over 2017's projections. While this is a more positive trend, approximately \$10.4 million from one-time revenues and expenditure reductions utilized in

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## Forecasted Tax Levy Requirements (2019–2023)

in millions



Source: Office of the Comptroller<sup>1</sup>

the 2018 budget, will no longer be available for 2019. This is up by \$3.1 million from the \$7.3 million one-time revenues utilized in the 2017 budget. Had the county implemented \$10.4 million in sustainable funding solutions, in 2019 the structural deficit would be reduced to \$6.4 million.

The County relies heavily on state and federal revenues, and has limited discretionary alternatives. In recent years, many state and federal revenues have declined or remained flat. The County's ability to adjust property tax or sales tax revenue is limited by state law. "[T]he County is able to raise levy by an amount equal to net new construction and by an amount equal to the growth in debt service issued after July 1, 2005."<sup>1</sup>

In the past, expenditures have been controlled through service model changes and historically low inflationary periods. Since 2000, significant changes made by the County include:

- Restructuring of Other Post-Employment Benefits.
- Stabilizing pension costs by issuing Pension Obligation Bonds starting in 2009.
- Accelerating funding of unfunded pension liability and reducing the assumed rate of return on the pension fund.
- Realigning the share of health care costs borne by employees and retirees.
- Enforcing the Employee Health and Pension Contribution.
- Reducing staff by 1,457 since 2000 (excluding DHHS).
- Freezing salary step increases for employees from 2010-2018.
- Reducing the County's facilities' footprint by 1.6 million

square feet through the sale of underutilized assets.

- Deferring maintenance since 2000.
- Adding the Vehicle Registration Fee Revenue.

Additionally, the County continues to work on managing expenditures by:

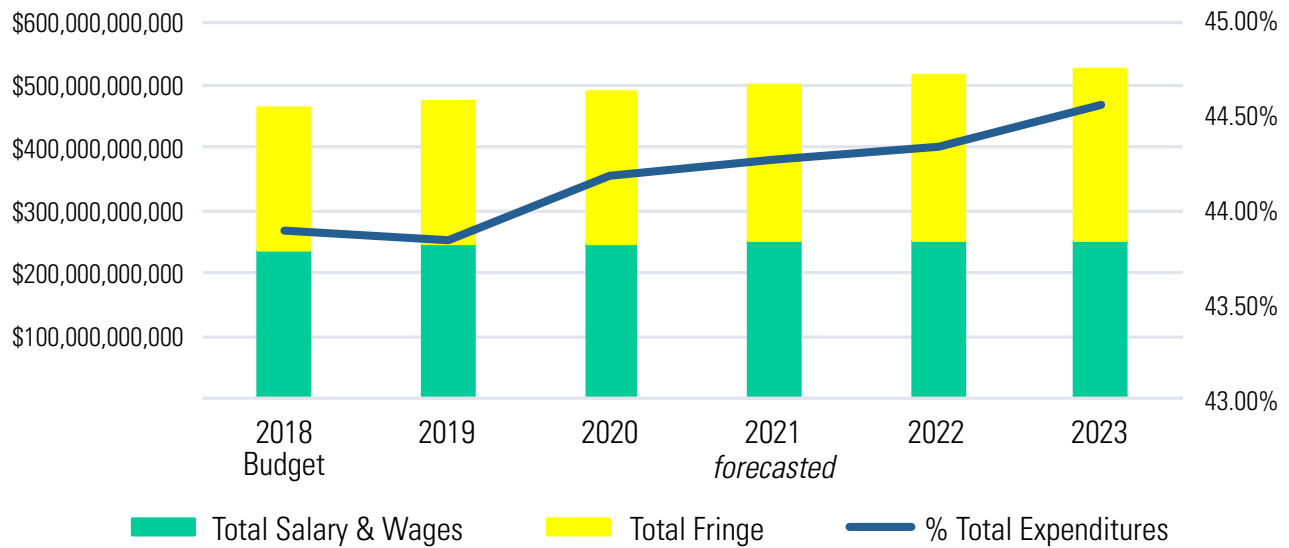
- Controlling overtime, sick leave policies and other risk-type policies such as workers' compensation, to reduce payouts and liability accruals.
- Looking for new ways to deliver services, such as shifting behavioral health services to community based facilities and the Housing First Initiative.
- Working smarter, through the implementation of a new Enterprise Resource System to create efficiencies throughout the County in financial and human resource management, as well as, working towards the consolidation of multiple outdated IT systems to more efficient systems in facilities management and health and human needs.
- Decreasing energy spending by \$4.4 million in four years.

These practices have contributed to driving down the County's cost to continue and structural deficit. Despite these gains, many factors have hampered the County's efforts to reduce the structural deficit. Losses in revenue sources, increases in growing infrastructure maintenance expenses, as well as increases in pension and retiree healthcare expenses continue to challenge the County's five year fiscal outlook. A forecast of the tax levy requirements

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## Forecasted Personnel Costs (2019–2023)



Source: Office of the Comptroller<sup>1</sup>

by functional area from 2019-2023 is demonstrated in the graph above.

The largest increases are projected in Public Safety, Health & Human Services, and Public Works. However, the 2019 forecasted property tax allocation differs from the 2018 forecast, because the total dollar amount of property tax levy requirements have decreased in General Government, Public Safety, Health & Human Services, and Public Works. The 2019-2023 forecasted tax levy requirements for Parks, Recreation & Culture increases by nearly 50% from the 2018-2022 projection.

### Salaries, Wages, Pension & Healthcare Costs Remain a Key Concern

While recent fiscal policy has “bent the structural deficit curve,” the County needs to continue to make significant structural changes to achieve long-term sustainability. Budgeted increases in pension (\$1.3 million) are substantially less in 2019 than prior years. This is due to the reduction in the assumed rate of return on pension investments and higher than expected investment earnings in 2017. However, while the growth in pension costs is down 3.4 percent from prior forecasts the cost still remains significant at 7.5 percent annual growth rate over the five-year period.

Similar to the 2018 forecast, salaries and wages (including overtime costs) increase by 3.7 percent over the five-year forecast period. To restore the one time expenditure

reductions from the 2018 budget and account for the 1 percent annual increase, salaries and wages are expected to increase by \$6.9 million in 2019, and then only 1 percent annually from 2020-2023.

The county benefited from healthcare savings in prior years and is expected to continue to benefit from no growth in healthcare costs in 2019. However, over the five-year forecasted period, healthcare costs are still expected to rise by 33.6 percent, the same as prior years’ projections. The County will absorb any increased costs, however, healthcare costs can be reduced by adjustments to plan design or premiums.

### Debt Reduction Is a Key Driver to Sustainability

After funding debt service, surplus sales tax revenues are allocated to cash finance capital projects. This amount is approximately \$10.8 million in 2019. This is a \$5.9 million increase over 2018.<sup>2</sup> Remaining sales tax revenue is then allocated to the operating budget. Utilizing non-debt funds for capital projects minimizes future debt service obligations, which makes more sales tax funding available to support capital improvements or programs in the operating budget. In 2019, sales tax revenue of \$10.8 million is available to finance capital projects, \$31.8 million is provided for the 2019 debt service and \$33.9 million is available to support general operations. Compared to 2018, this is a \$1.1 million increase for debt service and \$6.3 million decrease to support general operations.

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## Milwaukee County Continues to Face Fiscal Challenges

The forecast shows that the County has made progress in addressing its fiscal imbalance each year since the forecast model was introduced. Unless the County implements significant new revenue sources, long term revenues are still forecasted to rise less rapidly than expenditures. While expenditure growth is reduced due to the changes described above, the County will continue to face fiscal pressures due to this imbalance.

This situation requires continued examination of service delivery models, the prudent use of one-time revenues to drive cost saving operational efficiencies, implementation of new revenue sources, and a continual focus on reducing debt. Additionally, a thorough examination and rightsizing of the County's facilities is necessary to reduce the County's future capital and maintenance costs. The County must focus on bringing future needs in line with the County's ability to support capital funding. The County does not have the fiscal flexibility to add additional debt service to adequately address the deferred maintenance that has accumulated over decades. Therefore, the County must prioritize its facilities and focus on those that deliver core services and those that operate in the most cost-efficient manner. This will allow the County to eliminate underutilized facilities that have high operating costs and facilities that would require significant capital expenditure to maintain.

### 2020 Updated Budget Gap Estimate

Per state statutes, Milwaukee County is required to adopt a balanced budget on an annual basis. This means that the \$16.8 million operating budget deficit projected for 2019 in the Comptroller's forecast must be closed within the adopted budget process. The County has consistently demonstrated strong expenditure management practices and has adhered

to this requirement to produce a balanced budget every year.

The projected structural deficit increases from \$16.8 million in 2019 to \$33.9 million in 2020. This is an increase of \$17.1 million. This \$17.1 million amount provides a base for projecting what the 2020 gap will be. There are other factors which will adjust this figure. Notably, any one-time solutions to close the gap in 2019 will increase the gap in future years. There are one-time tax levy savings measures included in the 2019 recommended budget. In particular, the recommended budget includes a debt service reserve withdrawal of \$3.9 million; this reserve cannot be considered a permanent funding source.

Also impacting the 2020 budget, a recent change in state law is expected to increase the hourly rate of court appointed attorneys from \$70 to \$100 per hour. This is preliminarily expected to increase tax levy costs in the Courts budget by approximately \$1.5 million in 2020.

As a result of these factors, a budget gap of at least \$22.5 million can be expected for 2020. In early 2019, the Office of Performance, Strategy & Budget will conduct a more comprehensive examination of revenues and expenses across the County which will result in changes to this estimate. The \$22.5 million estimate does not include any one-time savings included in 2019 department budgets, potential impacts of the VW settlement and grant application, unclaimed revenue posted by the Treasurer's Office every other year. All of these items and other factors will be further considered as part of the 2020 annual budget process.

### 20-Year Outlook

The "Projected Structural Deficit (2020-2039)" chart on the following page demonstrates a longer term 20-year forecast, showing the ongoing impact of the structural imbalance between expenses and revenues. This projection is adjusted to reflect a balanced budget for 2019. Beginning in 2020, a deficit of \$22.5 million is projected, as detailed above. The structural deficit grows to \$68 million by 2023, based on annual increases outlined in the Comptroller's Five-Year Fiscal Forecast. In 2024 and beyond, revenues are projected to grow by 0.9% while expenses grow by 2.3%. Applying these assumptions results in a \$418 million structural deficit in 2039. This is the projected deficit before assumptions are made pertaining to the amortization of pension debts currently being paid out of the debt service and operating budgets.

A significant portion of the structural deficit relates to pension debt which is scheduled to be paid off over time. Specifically, the County is currently paying over \$33 million

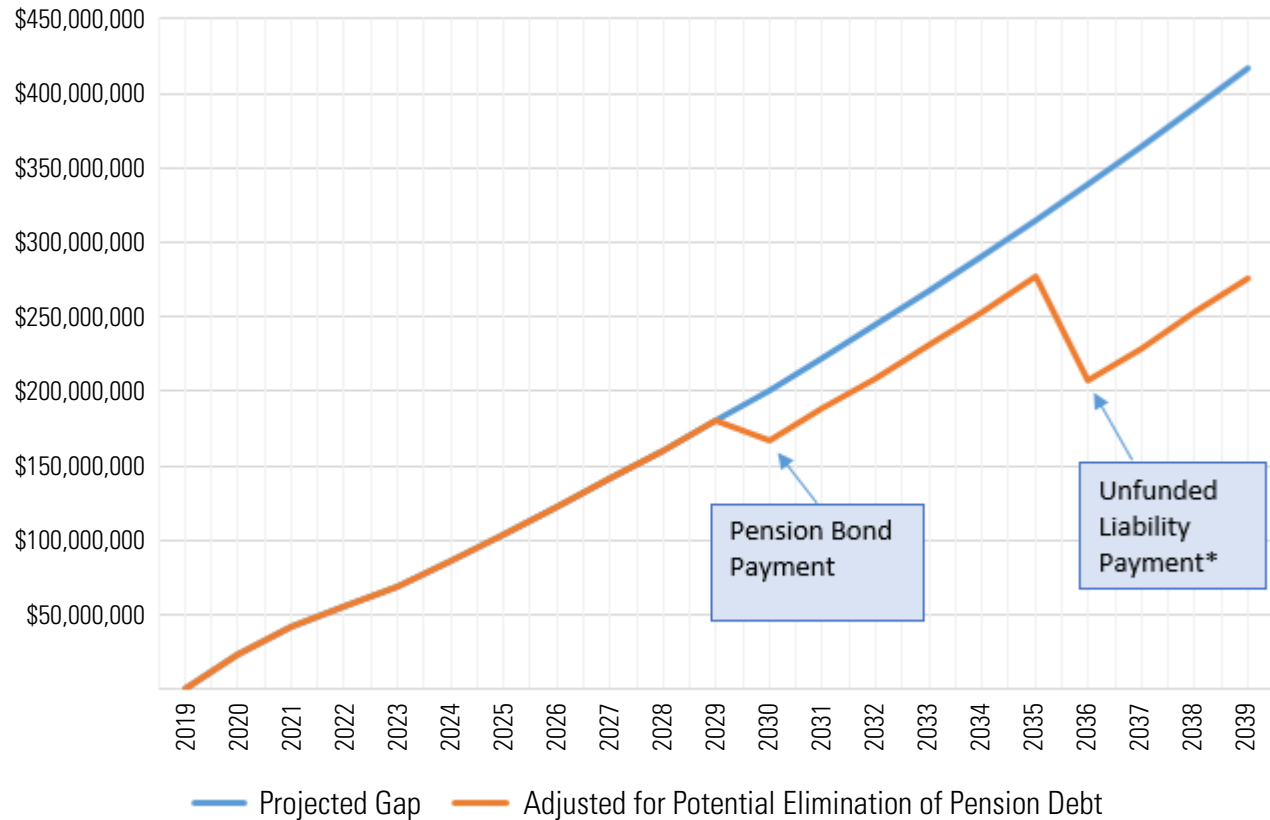
## 2020 Projected Operating Budget Gap

PRELIMINARY ESTIMATE

Description	Amount (millions)
<b>Comptroller Forecast</b>	
Increase in Structural Deficit 2019 to 2020	\$17.1
<b>Debt Service Reserve Use in 2019</b>	
One-Time Revenue	\$3.9
<b>Attorney Fee Increase</b>	
Anticipated Rate Increase \$70 to \$100	\$1.5
<b>Total</b>	<b>\$22.5</b>

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## Projected Structural Deficit (2020–2039)



\* 2036 reflects payment of unfunded pension liability, if assumed investment returns are realized.

Source: Office of the Comptroller<sup>1</sup>

of annual debt service in order to amortize a \$400 million Pension Obligation Bond that was issued in 2009. This debt is scheduled to be paid off in 2029. Additionally, the pension fund has an unfunded liability of \$569 million, as per the Actuarial Valuation January 1, 2018. The 2019 budget contribution to the Employees' Retirement System is expected to total \$72.2 million, of which \$52.8 million is paid towards unfunded liability, \$17.7 million covers normal pension costs of current employees, and \$1.6 million pays for administrative expenses in the fund. An analysis prepared by the Department of Administrative Services estimated that payments to the unfunded liability will grow by approximately 2.79% per year, reaching as high as \$94 million in 2035. The unfunded liability is scheduled to be amortized over a 20-year period. The above chart reflects full payment of the unfunded liability in 2036. This is shown to demonstrate the impact that the unfunded liability has on the County's structural deficit. However, it must be noted that full payment of this liability depends on the ability of the pension fund to meet investment return assumptions.

As a result of these assumptions related to pension debt, in 2039 the projected gap is reduced from \$418 million to

approximately \$276 million. Payment of pension debt will positively impact the County's financial forecast. However, there are other factors impacting the forecast which cause the projected structural deficit to continue even after pension debts are paid off. Most notably, revenue growth of 0.9% is not sufficient to sustain operations at the rate of inflation. Limited revenue growth is caused by caps on locally collected taxes (property tax and sales tax) and by flat and reduced revenues received from the state and federal government.

On the expenditure side of the equation, resolving the structural deficit will require continued examination of service delivery models, continued identification of operational efficiencies, paying down and reducing debts. The County has been operating in this environment for several years, dating back as far as the early 2000s. Substantial efficiencies and savings have already been realized. Savings have included both intentional initiatives to become more efficient and unintentional savings determined necessary to balance a budget with limited revenues. Examples of intentional savings initiatives include reducing approximately 1.6 million square feet of space in recent years in order to align the facilities footprint with actual needs in the County.

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Additionally, Other Post Employment Benefits have been restructured, resulting in an estimated \$40 million of savings per year. Unintentional savings examples include freezing of the County's salary step scale since 2010, which has resulted in substantial budget savings but has also resulted in salary inequities across the County. Deferring as much as \$400 million of infrastructure maintenance saves an estimated \$35 million a year on debt service. However, the County owns buildings which house state-mandated and priority services which have infrastructure needs that must be addressed in the near future.

It is unlikely that all deferred maintenance can be funded and that the structural deficit can be resolved by reducing expenditures alone. Changes in the County's revenue structure are also necessary, which would require intervention and changes at the state level. As indicated above, locally collected taxes are limited by state statutes while funds from the state have been flat and reduced in recent years. Resolving these issues will require continued monitoring of expenses combined with increased opportunities to grow revenues.

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<sup>1</sup> From the Office of the Comptroller, Milwaukee County Five-Year Financial Forecast 2019-2023, August 2018.

<sup>2</sup> Overall, County cash financing for capital projects (\$36.2 million) includes sales tax, computer reserves, tax levy, PFC revenue and airport reserves. Refer to the Capital Improvements Budget Introduction for additional detail.

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*Combined, a \$22.4 million gap is projected between both the operating and capital budget. This is the estimated gap prior to the identification of tax levy savings within department budget requests.*

## Closing the 2019 Budget Gap

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Dating back as far as the early 2000's, Milwaukee County has been faced with a structural budget deficit which means that each year, County officials and policy makers have been required to focus budget planning efforts on where to reduce expenditures while opportunities to make new investments are limited. The structural deficit is caused by stagnant revenue growth which is limited by State statutes and is not sufficient to keep pace with inflationary operating cost increases. Historically, pension and health care expenses have risen at levels higher than inflation, and these fringe benefit costs have contributed significantly to the structural deficit. Over the past several years, the annual budget gap that has had to be closed has ranged from approximately \$20 million to \$40 million.

### Process

In the early part of each calendar year, the Office of Performance, Strategy and Budget (PSB) develops budget assumptions for the upcoming fiscal year. These assumptions allow policy makers to develop strategy for the upcoming budget. This also helps to determine the magnitude of changes that must be made in order to produce a balanced budget. As a result of the structural deficit, tax levy reduction targets are typically distributed to operating departments in April or early May. Departments are tasked with identifying savings within their budget as part of the department request phase. Requested budgets are due in July. The County Executive then reviews department requests and submits a recommended budget to the County Board by October 1. The budget is adopted by the County Board in November.

### 2019 Budget Projections

In early 2018, PSB projected a \$23.5 million operating

budget gap for 2019. This estimate was based on projected expenditure growth of \$25.4 million, offset by net revenue growth of just \$2.0 million. Expenditures were projected to increase by \$25.4 million primarily due to the need to increase compensation, cover increased fringe benefits costs, and to support inflationary operating cost growth. Revenue growth of \$2.0 million included projected increases in taxes and fees (including sales tax and property tax), offset by debt service reserves used in the 2018 budget, as well as new parking fee revenues which were included in the 2018 budget but ultimately not approved for implementation.

In addition to the operating budget deficit, the budget for cash financing of capital projects was under-funded by \$5.4 million in 2018 compared to County policy goals. Specifically, the County has a goal to cash finance 20% of capital projects. The 2018 budget fell \$5.4 million short of this goal.

The initial operating budget gap estimate of \$23.5 million included approximately \$7.0 million of projected fringe benefit cost increases for health care and pension. This estimate was based on prior year expenditure trends as well as information provided by County actuaries. More recent estimates indicate that fringe benefit costs in 2019 will be approximately flat compared to the 2018 budget. This is based on updated actuarial information, combined with a review of 2017 year end actuals and 2018 year to date expenditure data. The pension fund benefited from a high investment rate of return of 15.68% in 2017, which results in a flattening of costs for 2019. Meanwhile, actuarial reports indicate that health care expenditure growth has trended at approximately 3%, as opposed to 7.5% previously projected

by actuaries and included in the 2018 budget. As a result, the 2019 health care budget remains flat compared to 2018. Despite these cost savings for 2019, fringe expenditure growth remains expected in future years.

Primarily due to changes in fringe benefits cost estimates, the operating budget gap estimate was revised from \$23.5 million down to \$17.0 million in July. The capital cash financing budget shortfall remains at \$5.4 million. Combined, a \$22.4 million gap is projected between both the operating and capital budget. This is the estimated gap prior to the identification of tax levy savings within department budget requests.

## Closing the 2019 Budget Gap

In June of 2018, the County Executive issued a memo to all departments regarding 2019 budget requests. The memo indicated that departments should put forth requested budgets with a tax levy reduction that is 1.1% lower than expenditures in the 2018 adopted budget. This 1.1% reduction was estimated to save \$7.5 million of tax levy. In addition, departments were asked to absorb inflationary cost increases. This means that new funding was not made available for the increased cost of utilities, commodities, and contract services. This results in an estimated savings of \$6.6 million.

These and other savings needed to close the \$22.4 million gap were ultimately identified in the budget process. Most departments participated in the tax levy reduction program as part of the request phase of the budget. Additional tax levy savings identified include anticipated collection of online sales tax, increased investment revenues projected by the Treasurer, Law Enforcement Grant savings, and a planned withdrawal of funds from the debt service reserve. The below chart provides a high level summary of how the budget gap was closed within the 2019 budget process. This is followed by a description of major savings initiatives and other changes.

## Summary of Tax Levy Savings

**Online Sales Tax Collections (\$1.7 million):** A United States Supreme Court ruling in June of 2018 has determined that states can collect online sales taxes. The State of Wisconsin has confirmed that online sales taxes will be collected in Wisconsin beginning in October 2018. \$1.7 million has been added to the County's 2019 budget for this change. This amount was estimated by the State for Milwaukee County.

**Investment Revenue Increase (\$1.5 million):** The Treasurer's Office has projected that investment revenues will increase by \$1.5 million, based on actual results in 2018.

## 2019 Budget Gap Estimate

Description	Early Gap Estimate (May) (millions)	Revised Estimate (July)* (millions)
Salaries**	\$6.8	\$6.8
Healthcare	\$5.0	—
Pension	\$2.0	\$0.3
Debt Service	\$0.5	\$1.5
Operating Cost to Continue	\$6.6	\$6.6
2018 Restorations	\$2.6	\$2.6
Liability Insurance	\$0.6	—
Seasonal Employee Conversions	\$1.3	\$0.5
<b>Total Expense</b>	<b>\$25.4</b>	<b>\$18.3</b>

### Revenue Change — Lost Revenues

Debt Service Reserves	\$6.6	\$6.6
Parking Fees	\$1.6	\$1.6

### Revenue Changes — Increased Revenues

Property Tax	(\$2.9)	(\$2.9)
Sales Tax	(\$1.8)	(\$1.3)
VRF Increase	(\$0.7)	(\$0.7)
Unclaimed Revenue	(\$1.3)	(\$1.2)
Other Changes	(\$3.5)	(\$3.5)
<b>Total Revenue Changes</b>	<b>(\$2.0)</b>	<b>(\$1.4)</b>
<b>Operating Gap Total</b>	<b>\$23.5</b>	<b>\$17.0</b>
Capital Cash Financing Below 20% Goal	\$5.4	\$5.4
<b>Total Operating &amp; Capital Gap</b>	<b>\$28.9</b>	<b>\$22.4</b>

\* Revised estimate reflects budget gap estimate prior to department levy savings identified at request phase of the budget (pre-July 15).

\*\* Salary increase estimate of \$6.8 million reflects centrally funded increases, does not include reclasses funded by departments

**BHD Abatement/Reserve (\$2.0 million):** The 2019 budget includes a \$2.0 million expenditure abatement in the BHD budget, to account for current reserve levels and prior year surplus activity. This abatement will not impact expenditure authority in the department. If the abatement causes the department to deficit, BHD will need to draw from their reserves to cover the cost. Tax levy savings from the abatement is in addition to savings realized from BHD's tax levy reduction target.

**Debt Service Reserve Withdrawal (\$3.9 million):** A \$3.9



million withdrawal from the debt service reserve is included in the 2019 budget. This withdrawal was determined necessary in order to support cash financing of capital projects, and to restore capital cash financing back to the County's 20% policy goal.

**Law Enforcement Grant Savings (\$500,000):** Since 2013 the County has provided a \$500,000 grant to the Milwaukee Police Department for handling of 9-1-1 cellular service calls within the borders of the City. The grant is expiring and the County has informed the City of Milwaukee that \$0 will be allocated for 2019.

**Unallocated Contingency Reduction (\$1.0 million):** The 2018 budget includes \$6.0 million of unallocated contingency for unanticipated costs which may occur during the year. The 2019 recommended budget reduces this amount to \$5.0 million.

**Departmental Levy Savings Estimate (\$13.9 million):** Departmental savings estimated at \$13.9 million are included in the budget. This amount includes both savings on inflationary expenses which departments are asked to absorb, as well as reductions compared to the 2018 budget. Below is brief summary of some of the departmental savings initiatives included in the 2019 budget; this list is not all inclusive. Additional details are stated within the departmental narratives section of the budget.

- Corporation Counsel reduces commodities and services spending by \$68,000, including a reduction in legal fees budgeted for departments who need outside legal counsel.
- The Department of Administrative Services (DAS) reduced the 2019 IT central spend budget by approximately \$407,000. In addition, DAS has reduced the major maintenance budget by \$400,000 in order to cover inflationary cost increases throughout the department.
- The Office of Emergency Management has negotiated \$112,000 of reductions in contractual obligations, including a reduction in radio maintenance contract costs.
- The Medical Examiner projects referral autopsies to increase by approximately 30 percent, resulting in additional revenue of \$190,000.
- The Milwaukee County Transit System budget reduces tax levy by \$1.3 million and further absorbs approximately \$2 million of increased operating expenses. Tax levy savings include modifications to freeway flyer routes, a reduction in school route services, and increasing the GO Pass from \$1 to \$2 per day. In addition, the budget includes a reduction of contracted administrative expenses, and a \$1 million increase in Federal 5307 revenue to support the operating budget.
- The Behavioral Health Division (BHD) met their \$2.1

## Summary of Major Gap Closing Initiatives

Description	Amount (millions)
Operating Gap	\$17.0
Capital Cash Finance Gap	\$5.4
<b>Total Estimated Gap/ Savings Needed</b>	<b>\$22.4</b>

### Tax Levy Savings

Online Sales Tax Collections	(\$1.7)
Investment Revenue Increase	(\$1.5)
BHD Abatement / Reserve	(\$2.0)
Debt Service Reserve Withdrawal	(\$3.9)
Law Enforcement Grant Savings	(\$0.5)
Unallocated Contingency Reduction	(\$1.0)
Departmental Levy Savings Estimate	(\$13.9)
<b>Subtotal Tax Levy Savings</b>	<b>(\$24.5)</b>

### Tax Levy Increases

MRMC & Water Utility Land Sale Levy Impact	\$0.8
Fire Charge Uncollectible	\$0.9
Business Intelligence Initiative	\$0.3
New Positions (Content Officer, Energy Manager)	\$0.2
<b>Subtotal Tax Levy Costs</b>	<b>\$2.1</b>
<b>Remaining Gap</b>	<b>0</b>

million tax levy reduction target and identified additional savings to cover inflationary and other cost increases. Inpatient Services will be integrating a new position of Psychiatric Technicians who will be responsible for performing various functions now provided by Certified Nursing Assistants, reducing the need for outside security and saving \$0.8 million in the Emergency Room. BHD has reduced overtime spending in the 2019 budget by \$0.6 million. Professional service fees are reduced by \$1.4 million. Food savings of \$0.3 million are realized due to a lower census and a re-estimate of costs.

- DHHS reduced \$1.0 million of tax levy from their budget primarily through identification of realignments and efficiencies, including reduction of vacant positions, combining evening reporting and alternative sanctions, and increased revenues including an increase in Youth Aids revenue, Medicaid revenue for Wrap and the Disability Resource Center.

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- Aging revenues are increased by \$547,000 primarily due to an increase in Federal funding for the Aging Resource Center.
- Parks department revenues are increased by approximately \$400,000 compared to the 2018 budget (after backing out the \$1.6 million of parking fee revenue which was not approved in 2018). Increased revenues are projected for China Lights, golf fees, dog-tags, cell tower leasing, and for the introduction of camping in County parks.
- Zoo revenues are projected to increase by \$392,000 over the 2018 budget. This recognizes the full annual value of admissions increases implemented in 2018, an additional \$0.75 admissions increase planned for April of 2019, and a State energy grant of \$45,000. Projected increases in admission fees are offset by reduced special exhibit and sea lion show revenue. It is important to note that in 2017 and 2018, zoo revenues have trended below budget due to weather conditions and construction of the zoo interchange. The 2019 budget assumes that attendance will be positively impacted by completion of the zoo interchange. Weather conditions will always be a known risk. While zoo revenues have trended below budget in 2017 and 2018, the 2019 zoo revenue budget remains below 2016 actuals.
- The Register of Deeds has reduced tax levy by a net total of \$187,000, as a combined result of reducing one position, identified savings in document indexing, and recognizing an increase in real estate transfer fee revenue.
- The County's budget includes assumptions regarding savings related to vacancy and turnover (V&T) in each department's budget. Many departments requested to reduce V&T as part of their 2019 budget requests. For most departments, the recommended budget maintains V&T at the same level as 2018. This resulted in savings of approximately \$2.0 million compared to the requested budget. For many departments, this was a savings on top the savings already identified as part of their tax

levy reduction target.

The following items result in tax levy increases of approximately \$2.2 million.

- Sale of the Milwaukee Regional Medical Center (MRMC) and transfer of the water utility is expected to have a tax levy cost of \$800,000. Reimbursement to the County for these facilities will be reduced. In lieu of laying off staff working on these systems, the positions will be allocated to other County owned facilities to catch up on long deferred maintenance and will now be paid for with tax levy funding.
- The County budget includes revenues for fire charge collections on County grounds. These revenues have trended below budget in recent years. A \$900,000 revenue reduction is included in the 2019 budget to align the budget to actuals.
- The budget includes \$300,000 in new funding for Business Intelligence initiatives in IMSD.
- Two new positions are created with funding from savings identified above, including an Energy Efficiency Manager in the Facilities Management Division, and a Content Officer position, which will replace duties currently performed by a contracted web administrator.

## Conclusion

The combined changes described above result in a balanced operating budget for 2019 and an increase in the budget for capital cash financing back to the 20% policy goal. While these changes result in a balanced budget for 2019, this budget can largely be considered a "temporary fix" which does not fully address the County's ongoing structural deficit. Early projections, detailed in the Long Range Fiscal Analysis section of the budget, estimate that the County will be faced with a budget gap of \$22.5 million in 2020. It is recommended that the County Board continues to work with the County Executive to focus on long term fiscal sustainability.

*The 2019 gross expenditure budget is \$1,187,626,700, an increase of \$38,665,214 (or 3%) from the 2018 Adopted Budget.*

## 2019 Expenditure Analysis

The 2019 gross expenditure budget is \$1,187,626,700, an increase of \$38,665,214 (or 3%) from the 2018 Adopted Budget. The 2019 expenditure budget includes \$1.063 billion for departmental and non-departmental operations and debt service, and \$124.4 million for capital projects. In comparison with the 2018 Adopted Budget, operating budget expenditures increase by \$6.6 million (or 0.6%), and capital budget expenditures increase by \$32 million (or 26%).

Budget Narrative Appropriation Units	Included Budgetary Control Appropriation Units
Personal Services	Personal Services
Operation Costs	Operation Costs Other Charges
Debt & Depreciation	Debt & Depreciation
Capital Outlay	Capital Outlay Capital Contra
Interdept Charges	Internal Service Charges Abatements

### 2019 Countywide Expenditure Highlights

As instituted in the 2018 budget, both active and legacy fringe benefit costs remain centralized. In 2019, these costs are only allocated out to those departments that are reimbursed by outside revenue sources. Additionally, changes made in 2018 related to charges apportioned to departmental budgets for covering the cost of provided interdepartmental services also remain centralized. These charges are represented in Non-Departmental Expenditure narrative, agency 1940.

### 2019 Expenditure Highlights by Category

**Personal Services** increase by \$8.6 million (or 2%) primarily related to employee salary increases. This includes funding for a 1% across-the-board increase, funding for equity adjustments and funding for reclassifications.

**Operation Costs** decrease by \$3.8 million (or 2%). This reduction is largely due to funding limitations caused by revenue constraints, combined with tax levy targets that were issued as part of the 2019 budget process.

**Debt & Depreciation** increase by \$1.0 million from \$116.5 million to \$117.5 (or 1%).

**Capital Outlay** increases \$43.2 million (or 46%) from 2018. The capital outlay included in the capital improvement budget increases by \$32 million (or 26%) over 2018. The increase is largely due to inclusion of the Bus Rapid Transit project, which has a total cost of \$31 million. Of this amount, \$23.9 million is funded by federal government and private contributions and \$7.1 million is funded through bonding. Additionally, the Zoo's Underwater Hippo Exhibit has a total cost of \$13.4 million, of which \$9.1 million is funded with private contributions and \$4.3 million is funded with bonds. Operating Capital Outlay, not including items related to Capital Outlay/Depreciation Contra (see the Non-Departmental Expenditure narrative, agency 1940, for additional detail), including funding for major maintenance, increases by \$340,000 (or 2%).

**Internal Service Charges** including the net total of abatements and crosscharges between County departments decrease by approximately \$8.2 million (or 26%) in 2019.

## 2019 Expenditure Highlights by Functional Area

Below are summaries of major changes within most departments or organizational units by Functional Area for the Operating Budget. Please review the specific organizational or capital project narrative for more detailed information. If a department is not listed, it is because its expenditure budget did not change materially (less than 2%) from the 2018 Adopted Budget.

### Legislative & Executive

The expenditure increase of \$250,841 (or 44%) in the **Office of the County Executive** is related to budgeting the office at historical actuals.

The Milwaukee County **Office of Intergovernmental Relations** increase expenditures by \$7,712 (or 3.5%). The increase is related to employee compensation.

### General Government

Expenditures in the **Office of the Register of Deeds** decrease by \$152,807 (or 9%) due to a reduction in personnel, including one employee transfer to the Department of Administrative Services.

Expenditures in the **Office of the Treasurer** increase by \$42,280 (or 4%) mainly due to increases in employee compensation.

The **Election Commission** expenditures decrease by \$134,471 (or 21%) mainly due to reduction in election related expenditures for 2019.

The expenditures for the **Office of the County Clerk** increase by \$181,139 (or 4.3%) due to aligning personnel budgets to actuals and rectifying an omission in the 2018 budget.

### Administrative

In the **Department of Human Resources**, expenditures increase by \$463,850 (or 8%) due to corrective market employee compensation and personnel changes.

Expenditures increase in the **Office of the Corporation Counsel** by \$79,024 (or 7%) mainly due to restructuring personnel and employee compensation.

Expenditures increase in the **Office of African American Affairs** by \$119,939 (or 19%) mainly due to additional contractual services for racial equity training.

## Department of Administrative Services – Internal Service Funds

Expenditures in the **DAS–Water Distribution System** program area decrease by \$488,495 (or 10%) primarily due to a reduction in capital outlay.

### Public Safety

Expenditures in the **Office of the Sheriff** increase by \$1,811,712 (or 4%) due to the inclusion of additional deputy salaries that were finalized in a new labor agreement.

Expenditures in the **House of Correction** increase by \$1,695,710 (or 4%) due to growth in personal and professional services contracts and salaries and overtime for personnel.

The **Medical Examiner** expenditures increase by \$288,578 (or 7.3%) due to increased professional service contracts and additional personnel.

### Courts & Judiciary

Expenditures in **Combined Court Related Operations** increase by \$1.1m (or 4.5%) primarily due to increases in contracted services.

The **Department of Child Support Services** expenditures increase by \$394,713 (or 2%) mainly due to an increase in personnel costs.

**Courts Pre-Trial Services** expenditures increase by \$225,263 (or 5%) due to professional services contract increases.

### Transportation

Expenditures in the **Airport Division** increase by \$8.1 million (or 9%) from 2018. This is related to additional allocations of fringe, increases in personnel, contracts, commodity, and operating capital outlay costs.

Expenditures in the **Fleet Management Division** increase by \$922,213 (or 8%) primarily due to increased personnel costs, capital outlay and additional departmental service demand.

Expenditures in **Highway Maintenance** decrease by \$964,018 (or 4.2%) due to the creation of Department of Transportation Public Works—Transportation Services Division, which separates the function of highway project management and design from highway maintenance.

## Health & Human Services

In the **Milwaukee County Mental Health Board's Behavioral Health Division (BHD)**, expenditures decrease \$6.7 million (or 3%). The decrease is related to a transfer of professional services contracts from BHD to DHHS, a reduced projection for wraparound services, and for an expenditure abatement included in the BHD budget.

The **Milwaukee County Department of Health & Human Services** increased expenditures by \$22.5 million (or 22%). This is primarily due to a transfer of fringe expenses from the non-departmental budget back to the DHHS budget. In addition, funding is added for additional programming in the Children's Long Term Support (CLTS) program and for the transfer of professional services contracts from BHD to DHHS.

**Department on Aging** expenditures increase by \$1.3 million (or 7.4%) primarily due to aligning purchase of service contracts to actuals.

## Recreation & Culture

In the **Department of Parks, Recreation & Culture**, expenditures increase by \$1.9 million (or 6%) from 2018. The increase is primarily the result of personnel costs from transitioning some seasonal employees to full time.

Expenditures increase for the **Zoological Department** by over \$557,038 (or 3.5%). The increase is primarily the result of personnel costs from transitioning some seasonal employees to full time.

Expenditures decrease for the **University of Wisconsin—Extension** by \$46,516 (or 9%) from 2018. The decrease is primarily due to the removal of expenses related to occupying the county-owned CATC facility.

The contribution to the **Marcus Center for the Performing Arts** decreases by \$50,000 as outlined in the contribution agreement.

## Non-Departmental Expenditures

The **Appropriation for Contingencies** is decreased by \$2.4 million (or 32%) from \$7.4 million to \$5.0 million due to the removal of one-time items budgeted in allocated contingency in 2018, as well as a \$1.0 million reduction in unallocated contingency compared to the 2018 adopted budget.

**Centralized Active Fringe** expenditures decreased by \$25.9 million (or 20%) as a result of allocating additional costs to revenue producing departments.

## COMBINED CAPITAL & OPERATING EXPENDITURES BY FUNCTIONAL AREA County Budget Expenditure Comparison (Capital & Operating)

TOTAL Operating & Capital Expenditures by Functional Area	2016 Actual	2017 Actual	2018 Budget	2019 Budget	\$ Change from 2018 Budget	% Change from 2018 Budget
Legislative & Executive	\$4,715,062	\$2,525,227	\$2,145,713	\$2,428,538	\$282,825	13%
Administration	\$122,213,175	\$132,348,844	\$95,068,239	\$94,649,854	(\$418,385)	0%
General Government	\$15,296,862	\$10,289,015	\$8,270,443	\$8,242,574	(\$27,869)	0%
Courts & Judiciary	\$70,541,568	\$56,728,139	\$51,343,517	\$53,162,409	\$1,818,892	4%
Public Safety	\$186,514,413	\$136,480,907	\$114,823,477	\$120,914,543	\$6,091,066	5%
Transportation & Public Works	\$284,317,556	\$292,811,411	\$306,644,448	\$334,544,992	\$27,900,544	9%
Health & Human Services	\$597,852,448	\$340,105,405	\$332,980,235	\$350,860,329	\$17,880,094	5%
Parks, Recreation & Culture	\$90,657,323	\$85,844,351	\$63,721,878	\$76,387,012	\$12,665,134	20%
Debt Service	\$50,299,599	\$51,404,166	\$48,532,388	\$48,979,070	\$446,682	1%
Non-Departmental Revenues	\$0	\$0	\$0	\$0	\$0	—
Non-Departmental Expenditures <sup>1</sup>	(\$48,064,814)	(\$2,261,739)	\$125,431,148	\$97,457,379	(\$27,973,769)	–22%
<b>TOTAL</b>	<b>\$1,374,343,192</b>	<b>\$1,106,275,726</b>	<b>\$1,148,961,486</b>	<b>\$1,187,626,700</b>	<b>\$38,665,214</b>	<b>3%</b>

<sup>1</sup> The budgets for some Non-Departmental Expenditure organizations are technical in nature and do not have actual expenditures. These budgets include 1930—Offset to Internal Service Charges and 1985—Capital Outlay Depreciation Contra.

## CAPITAL EXPENDITURES BY FUNCTIONAL AREA

## County Budget Expenditure Comparison — Capital

TOTAL Operating & Capital Expenditures by Functional Area	2016 Actual	2017 Actual	2018 Budget	2019 Budget	\$ Change from 2018 Budget	% Change from 2018 Budget
Legislative & Executive	\$0	\$0	\$0	\$0	\$0	—
Administration	\$ 21,035,948	\$31,138,105	\$20,028,229	\$18,935,113	(\$1,093,116)	-5%
General Government	\$0	\$0	\$0	\$0	\$0	—
Courts & Judiciary	\$0	\$0	\$0	\$0	\$0	—
Public Safety	\$1,595,623	\$252,000	\$3,694,095	\$5,683,133	\$1,989,038	54%
Transportation & Public Works	\$39,633,213	\$55,255,945	\$63,250,046	\$83,469,254	\$20,219,208	32%
Health & Human Services	\$69,030	\$0	\$0	\$701,516	\$701,516	-
Parks, Recreation & Culture	\$19,404,496	\$16,834,800	\$5,432,723	\$15,655,720	\$10,222,997	188%
Debt Service	\$0	\$0	\$0	\$0	\$0	—
Non-Departmental Revenues	\$0	\$0	\$0	\$0	\$0	—
Non-Departmental Expenditures <sup>1</sup>	\$0	\$0	\$0	\$0	\$0	—
<b>TOTAL</b>	<b>\$81,738,310</b>	<b>\$103,480,850</b>	<b>\$92,405,093</b>	<b>\$124,444,736</b>	<b>\$32,039,643</b>	<b>26%</b>

<sup>1</sup> The budgets for some Non-Departmental Expenditure organizations are technical in nature and do not have actual expenditures. These budgets include 1930—Offset to Internal Service Charges and 1985—Capital Outlay Depreciation Contra.

## OPERATING EXPENDITURES BY FUNCTIONAL AREA

## County Budget Expenditure Comparison — Operating

TOTAL Operating & Capital Expenditures by Functional Area	2016 Actual	2017 Actual	2018 Budget	2019 Budget	\$ Change from 2018 Budget	% Change from 2018 Budget
Legislative & Executive	\$4,494,917	\$2,555,722	\$2,145,713	\$2,428,538	\$282,825	12%
Administration	\$90,693,151	\$86,384,368	\$75,040,010	\$75,714,741	\$674,731	1%
General Government	\$1,489,694	\$9,372,322	\$8,270,443	\$8,242,574	(\$27,869)	0%
Courts & Judiciary	\$69,340,122	\$54,595,343	\$51,343,517	\$53,162,409	\$1,818,892	3%
Public Safety	\$184,295,623	\$140,480,122	\$111,129,382	\$115,231,410	\$4,102,028	4%
Transportation & Public Works	\$240,843,018	\$236,027,290	\$243,394,402	\$251,075,738	\$7,681,336	3%
Health & Human Services	\$485,942,695	\$308,504,553	\$332,980,235	\$350,158,813	\$17,178,578	5%
Parks, Recreation & Culture	\$78,209,637	\$66,288,880	\$58,289,155	\$60,731,292	\$2,442,137	4%
Debt Service	\$74,014,257	\$66,190,666	\$48,532,388	\$48,979,070	\$446,682	1%
Non-Departmental Revenues	—	—	—	—	—	—
Non-Departmental Expenditures <sup>1</sup>	\$176,703,989	\$192,288,345	\$125,431,148	\$97,457,379	(\$27,973,769)	-29%
<b>TOTAL</b>	<b>\$1,406,027,103</b>	<b>\$1,162,687,611</b>	<b>\$1,056,556,393</b>	<b>\$1,063,181,964</b>	<b>\$6,625,571</b>	<b>0.6%</b>

<sup>1</sup> The budgets for some Non-Departmental Expenditure organizations are technical in nature and do not have actual expenditures. These budgets include 1930—Offset to Internal Service Charges and 1985—Capital Outlay Depreciation Contra.

*Realistic, conservative and accurate revenue estimates  
are a key building block in developing a fiscally sound budget.*

## 2019 Revenue Analysis

**R**ealistic, conservative and accurate revenue estimates are a key building block in developing a fiscally sound budget. The County combines the following four projection methods based on Government Finance Officers Association (GFOA) best practices in order to responsibly forecast revenue:

- **Informed and Expert Judgment** (e.g., the advice of a department head).
- **Deterministic Technique** (e.g., formula based).
- **Time Series Technique** (e.g., trend analysis, rolling averages).
- **Estimates** from external sources or appropriated in adopted legislation (e.g., state and federal governments).

The GFOA's forecasting policy has adopted the following five-step process for conducting a revenue forecast:<sup>1</sup>

1. **Define the problem.**
2. **Gather information.**
3. **Conduct a Preliminary/Exploratory Analysis.**
4. **Select methods.**
5. **Implement method.**

In forecasting revenue from the Vehicle Registration Fee, for example, the Office of Performance, Strategy & Budget (PSB) built a model that combined raw data from the State of Wisconsin's Department of Motor Vehicles with assumptions that attempted to predict what external factors may impact revenue. In doing this, PSB staff worked to first clarify what end result they would seek, researched methods, identified information sources, and followed the above outlined

process for forecasting. Ultimately, PSB used a rolling average of data and elasticity measures.

As with the expenditure analysis, several revenue appropriation units are rolled into categories for illustration purposes in the departmental and non-departmental narratives. The combinations of major revenue types include the following:

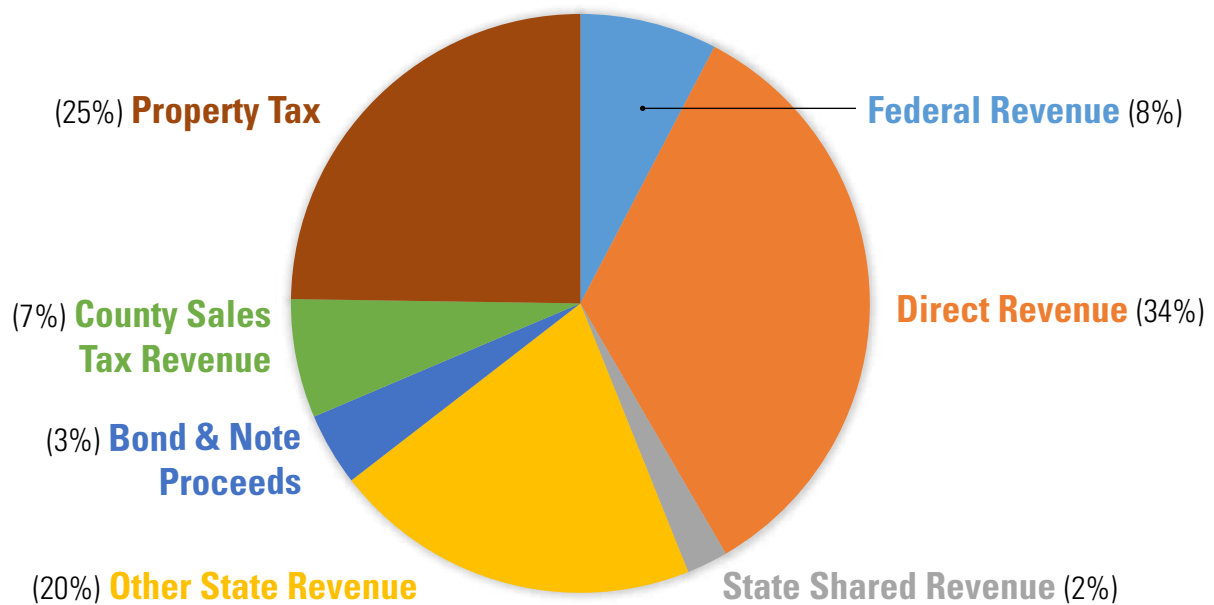
Departmental Narrative Appropriation Unit	Revenue Appropriation Units
Indirect Revenues	Indirect Revenues
State & Federal Revenues	Federal Revenues State Shared Revenue Other State Revenues
Other Direct Revenues	Direct Revenue Bond Proceeds Sales Tax Prior Year Surplus Vehicle Registration Fee
Property Tax Levy	Property Tax Levy

### Revenue Overview

The 2019 revenue budget is \$1,187,626,700, an increase of \$38,665,214, or 3% from the 2018 Adopted Budget. Revenue increases are primarily driven by capital expenditures in Transit and Zoo. Direct Revenue increases from \$390 million to \$403 million (or 3%) and represents 34% of total revenue in 2019. The 2019 budget includes \$91 million (or 8%) in



## Composition of 2019 Budgeted Countywide Revenues



Federal Revenue, an increase of 25% from \$72 million in the 2018 Adopted Budget due to increased federal grant revenue attributed to the Bus Rapid Transit capital project.

Property Tax Levy represents 25% of budgeted revenues in 2019 at \$294 million. State Aids, including Basic Community Aids, Youth Aids, General Transportation Aids, Transit Aids, Airport funding and other funding represent 20% of total revenues, or \$244 million; State Shared Revenue is budgeted at \$27.2 million (or 2%) and represents virtually no change from the 2018 Adopted Budget. County sales tax revenue increases \$3 million in 2019 to \$78.7 million and represents 7%. The remaining 3%, totaling \$42 million, includes indirect revenues, and bond proceeds (see chart above).

Wisconsin State Statute 341.35(1) allows local governments to establish and implement a VRF in addition to the regular annual state fee paid for a vehicle. The fee applies to vehicles kept in the municipality or county where the vehicle is registered. Revenues from this fee can only be used for transportation related activities like roads, bridges, trails and public transportation. Revenues of \$15.7 million are budgeted within the Department of Transportation's Transit/Paratransit Division and \$1 million in the Highway Division.

A contribution of \$3.9 million from the Reserve for County Bonds is included for 2019, a reduction of \$2.7 million

(or 42%). This level of contribution is required in order to overcome challenging year to year variations in structural balance. Use of Debt Reserve funds is allowed statutorily to protect the County from unexpected one-time deficits.

### Revenue Highlights by Category

**Direct Revenue** increases by \$12 million or 3% in 2019.

**Sales Tax** revenue is increases countywide by \$3 million in 2019, from \$75.7 million to \$78.7 million due to organic growth and the *South Dakota v. Wayfair Inc.* Supreme Court decision allowing for collection of internet sales tax..

- 2019 sales tax collections are projected to increase from the 2018 Adopted Budget. The sales tax budgeted in Org 1996 is the net sales tax collections of \$78.7 million, less an allocation of \$10.7 million for capital improvements for a total of \$68 million. \$31.8 million is dedicated to debt service for 2019, resulting in a net of \$36.2 million for general fund purposes.

**Federal Revenue** decreases by a total of \$18.3 million or 25% in the 2019 Budget.

**State Revenue** remains flat in 2019. This includes \$27.2 million in State Shared Revenue, unchanged from 2018, as well as \$244 million in Other State Revenue.

C O N T I N U E D

**Indirect Revenues**, which include charges by County departments to other departments for services, decrease by \$1.0 million. Indirect Revenue includes employee contributions for pension, healthcare and other benefit premiums as well as other offsetting revenue. Detailed breakdowns of indirect revenues can be found in each appropriate department narrative, as well as in Org 1950.

This category also includes the revenue portion of County interdepartmental charges, which offset services provided from one County unit to another.

Org 1930 includes an abatement for all **indirect revenues** to ensure that countywide revenues are not overstated. Due to the abatement, countywide indirect revenues total \$0.

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<sup>1</sup> Kavanagh, S and Iglehart, C. 2012. *Structuring the Revenue Forecasting Process*. GFOA.



## County Budget Revenue Comparison (Capital & Operating)

Source	2017 Actual	2018 Budget	2019 Budget	\$ Change from 2018 Budget	% Change from 2018 Budget
Direct Revenue	\$576,579,915	\$390,904,554	\$403,227,968	\$12,323,414	3%
Federal Revenue	\$91,167,854	\$72,660,022	\$91,018,305	\$18,358,283	25%
State Shared Revenue	\$27,305,169	\$27,259,289	\$27,259,289	\$0	0%
Other State Revenue	\$234,175,141	\$244,940,577	\$244,779,697	(\$160,880)	0%
Bond Proceeds	\$31,560,128	\$39,642,309	\$43,619,074	\$3,976,765	10%
Sales Tax	\$74,602,527	\$75,726,406	\$78,796,038	\$3,069,632	4%
Prior-Year Surplus	\$5,000,000	\$5,000,000	\$4,798,000	(\$202,000)	-4%
Indirect Revenue	\$0	\$0	\$0	\$0	—
<b>Tax Levy</b>	<b>\$291,077,828</b>	<b>\$292,828,329</b>	<b>\$294,128,329</b>	<b>\$1,300,000</b>	<b>0%</b>
<b>TOTAL</b>	<b>\$1,331,468,562</b>	<b>\$1,148,961,486</b>	<b>\$1,187,626,700</b>	<b>\$38,665,214</b>	<b>3%</b>

## Operating Budget Revenue Comparison

Source	2017 Actual	2018 Budget	2019 Budget	\$ Change from 2018 Budget	% Change from 2018 Budget
Direct Revenue	\$567,052,906	\$358,783,301	\$364,286,915	\$5,503,614	2%
Federal Revenue	\$59,972,524	\$59,575,663	\$62,865,789	\$3,290,126	6%
State Shared Revenue	\$27,305,169	\$27,259,289	\$27,259,289	\$0	0%
Other State Revenue	\$231,554,671	\$242,478,023	\$241,954,096	(\$523,927)	0%
Bond Proceeds <sup>b</sup>	\$2,025,453	\$0	\$0	\$0	—
Sales Tax	\$67,759,027	\$70,881,788	\$68,014,546	(\$2,867,242)	-4%
Prior-Year Surplus <sup>a</sup>	\$5,000,000	\$5,000,000	\$4,798,000	(\$202,000)	-4%
Indirect Revenue	\$0	\$0	\$0	\$0	—
<b>Tax Levy</b>	<b>\$281,827,664</b>	<b>\$292,578,329</b>	<b>\$294,003,329</b>	<b>\$1,425,000</b>	<b>0%</b>
<b>TOTAL</b>	<b>\$1,242,497,414</b>	<b>\$1,056,556,392</b>	<b>\$1,063,181,964</b>	<b>\$6,625,572</b>	<b>1%</b>

<sup>a</sup> Reflects Budgeted Figures in 2016 Actuals

<sup>b</sup> Mainly reflects proceeds from refunding of bonds which are booked in Agency 9960—Debt Service

## Capital Budget Revenue Comparison

Source	2017 Actual	2018 Budget	2019 Budget	\$ Change from 2018 Budget	% Change from 2018 Budget
Direct Revenue	\$9,527,009	\$32,121,253	\$38,941,053	\$6,819,800	21%
Federal Revenue	\$31,195,330	\$13,084,359	\$28,152,516	\$15,068,157	115%
State Shared Revenue	\$0	\$0	\$0	\$0	—
Other State Revenue	\$2,620,470	\$2,462,554	\$2,825,601	\$363,047	15%
Bond Proceeds	\$29,534,675	\$39,642,309	\$43,619,074	\$3,976,765	10%
Sales Tax	\$6,843,500	\$4,844,618	\$10,781,492	\$5,936,874	123%
Prior-Year Surplus	\$0	\$0	\$0	\$0	—
Indirect Revenue	\$0	\$0	\$0	\$0	—
<b>Tax Levy</b>	<b>\$9,250,164</b>	<b>\$250,000</b>	<b>\$125,000</b>	<b>(\$125,000)</b>	<b>-50%</b>
<b>TOTAL</b>	<b>\$88,971,148</b>	<b>\$92,405,093</b>	<b>\$124,444,736</b>	<b>\$32,039,643</b>	<b>35%</b>

# Comparison of Funded Full-Time Position Equivalents

## BY FUNCTIONAL AREA

		2016	2017	2018	2019	2018-2019 Change
<b>LEGISLATIVE &amp; EXECUTIVE</b>						
1000	County Board	31.0	29.0	29.0	29.5	0.5
1011	County Executive—General Office	9.0	9.0	6.6	9.0	2.4
1020	County Executive—Intergovernmental Relations	2.0	2.0	1.1	1.1	0.0
1021	County Executive—Veterans Service	5.0	5.0	4.9	4.9	0.0
	<b>Total Legislative &amp; Executive</b>	<b>47.0</b>	<b>45.0</b>	<b>41.6</b>	<b>44.5</b>	<b>2.9</b>
<b>STAFF</b>						
1040 <sup>5</sup>	Department of Administrative Services (DAS)—Office of Community Development Partners	0.0	0.0	0.0	0.0	0.0
1090	Office on African American Affairs		4.0	5.9	5.9	0.0
1110 <sup>4</sup>	Civil Service Commission	0.0	0.0	0.0	0.0	0.0
1120 <sup>4</sup>	Personnel Review Board	13.00	13.0	12.8	12.8	0.0
1905 <sup>4</sup>	Ethics Board	0.8	0.0	0.0	0.0	0.0
1130	Corporation Counsel	20.0	19.9	22.5	22.5	0.0
1019	DAS—Office for Persons with Disabilities	0.0	0.0	0.0	0.0	0.00
1140	Department of Human Resources	55.0	54.9	57.5	57.4	(0.1)
5700	DAS—Facilities Management	0.0	0.0	0.0	0.0	0.0
1150	DAS—Risk Management	5.4	7.0	6.9	6.9	0.0
1151	DAS—Fiscal Affairs	0.0	0.0	0.0	0.0	0.0
1151	DAS—General Fund	180.3	195.6	178.2	182.2	4.0
1152	DAS—Procurement	0.0	0.0	0.0	0.0	0.0
1160	DAS—Information Management Services	44.6	46.0	45.1	51.0	5.9
1192	DAS—Economic Development	0.0	0.0	0.0	0.0	0.0
	<b>Total Staff</b>	<b>319.1</b>	<b>340.4</b>	<b>328.9</b>	<b>338.8</b>	<b>9.9</b>
<b>COURTS &amp; JUDICIARY</b>						
2000	Combined Court Related Operations	293.0	284.1	278.9	281.1	2.2
2430	Department of Child Support Services	145.0	147.0	144.5	142.0	(2.5)
2900	Courts—Pre-Trial Services	2.0	2.0	2.0	2.0	0.0
	<b>Total Courts &amp; Judiciary</b>	<b>440.0</b>	<b>433.1</b>	<b>425.4</b>	<b>425.0</b>	<b>(0.3)</b>
<b>GENERAL GOVERNMENTAL SERVICES</b>						
3010 <sup>5</sup>	Election Commission	0.0	0.0	0.0	0.0	0.0
3090	County Treasurer	7.5	8.5	8.4	8.4	0.0
3270	County Clerk	20.5	21.5	19.6	19.5	(0.1)
3400	Register of Deeds	30.2	31.0	29.0	27.1	(1.9)
3700	Office of the Comptroller	57.1	55.9	54.3	55.5	1.2
	<b>Total General Governmental Services</b>	<b>115.3</b>	<b>116.9</b>	<b>111.2</b>	<b>110.5</b>	<b>(0.8)</b>

(CHART CONTINUES ON NEXT PAGE)

# Comparison of Funded Full-Time Position Equivalents

## BY FUNCTIONAL AREA

		2016	2017	2018	2019	2018-2019 Change
<b>PUBLIC SAFETY</b>						
4000	Office of the Sheriff	779.7	705.1	723.6	735.0	11.4
4300	House of Correction	386.2	402.3	394.6	396.3	1.7
4500 <sup>1</sup>	District Attorney	165.3	165.4	160.3	160.9	0.6
4800	Emergency Management	65.5	66.0	60.1	62.6	2.5
4900	Medical Examiner	31.2	29.9	31.6	32.6	1.0
	<b>Total Public Safety</b>	<b>1427.9</b>	<b>1368.7</b>	<b>1370.1</b>	<b>1387.3</b>	<b>17.1</b>
<b>DEPARTMENT OF TRANSPORTATION</b>						
5040	Airport	283.2	284.3	290.1	287.6	(2.5)
5083 <sup>6</sup>	Transportation Services	0.0	0.0	0.0	9.9	9.9
5100 <sup>6</sup>	Highway Maintenance	139.4	135.6	131.0	122.5	(8.5)
5300	Fleet Management	34.5	34.3	33.9	33.2	(0.7)
5800	Director's Office	8.0	8.0	8.0	8.0	0.0
	<b>Total Transportation</b>	<b>465.1</b>	<b>462.2</b>	<b>463.0</b>	<b>461.2</b>	<b>(1.8)</b>
<b>HEALTH &amp; HUMAN SERVICES</b>						
6300	DHHS—Behavioral Health Division	545.9	542.8	514.1	484.8	(29.3)
7900	Department on Aging	77.1	76.4	73.3	74.8	1.50
7990 <sup>2,3</sup>	Department of Family Care	71.3	0.0	0.0	0.0	0.0
8000	Department of Health & Human Services	291.4	315.1	329.1	323.5	(5.6)
	<b>Total Health &amp; Human Services</b>	<b>985.7</b>	<b>934.3</b>	<b>916.5</b>	<b>883.0</b>	<b>(33.4)</b>
<b>PARKS, RECREATION &amp; CULTURE</b>						
9000 <sup>7</sup>	Parks Division	375.3	439.2	459.6	469.2	9.6
9500	Zoological Department	253.1	252.0	200.5	202.3	1.8
9910	University Extension	0.75	0.75	0.75	0.75	0.0
	<b>Total Parks, Recreation &amp; Culture</b>	<b>629.2</b>	<b>692.0</b>	<b>660.9</b>	<b>672.3</b>	<b>11.4</b>
<b>TOTAL — ALL OPERATING DEPARTMENTS</b>		<b>4429.3</b>	<b>4392.6</b>	<b>4317.6</b>	<b>4322.5</b>	<b>4.9</b>

\* The 2017, 2018 and 2019 Budget FTEs include Vacancy & Turnover (VANDT) & Overtime (OT). The 2016 FTEs are restated to reflect this change.

<sup>1</sup> FTE Counts in the Office of the District Attorney include Deputy District Attorneys and Senior Assistant District Attorneys who are State Employees but who chose to retain County benefits in the 1990s. These positions are not reflected in the FTE count in the Departmental Budget Narrative. In the 2018 budget, two positions were converted to State employees.

<sup>2</sup> The 2017 Budget included 16 FTE employees providing service to MyChoice Family Care through a temporary Memorandum of Understanding.

<sup>3</sup> In the 2018 budget there are no longer any County employees working under My Choice Family Care.

<sup>4</sup> The 2017 Budget has merged the Personnel Review Board, Civil Service Commission and Ethics Board into a single agency.

<sup>5</sup> Full-time position equivalents (FTEs) for Office of Community Development Partners, Office for Persons with Disabilities, Facilities Management, Fiscal Affairs, Procurement and Economic Development are included in the count for Department of Administrative Services—General Fund. FTEs for the Election Commission are included in the count for the County Clerk.

<sup>6</sup> Transportation Services (5083) was previously a part of the Highway Maintenance Department. In 2019, Transportation Services was separated into its own agency.

<sup>7</sup> Seasonal FTEs were underrepresented in the 2018 Recommended Budget. No subsequent amendments to correct this were adopted. FTEs now reflect actual counts.



Milwaukee County Courthouse  
901 North 9th Street | Milwaukee, WI 53233  
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